Family influences on strategic decision-making processes in family firms

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Abstract

Family firms can be characterised by a unique business setting, where family and work conditions are closely intertwined. This particular business setting promotes distinctive strategic behaviour. Yet, scholarly understanding of strategic decision processes in family firms remains limited, particularly from a perspective that pays attention to the role of micro-processes in the overall decision-making process. This study addresses this gap from a strategy-as-practice perspective and by posing the research question: '*how does the family context influence the strategic decision-making process in the family firm?'* The author uses a critical realist lens and case study method to examine multiple strategic decisions across 7 family firms. Cross-case analysis reveals that mechanisms from three main entities – the family, the business, and the family-business-relationship – can largely explain each family member's behaviour in the strategic decision-making process. Specifically, the study reveals patterns of generative mechanisms that emerge from these entities and influence strategic decision-making processes in the family firm. The research identifies, for example, a subtle shift from egoistical motivations and focus on firm performance in the family entrepreneur's younger life towards more altruistic motivations and an emphasis on family welfare in later life, the influential strength of heritage and identity, as well as underlying rules and regulations that govern firm strategy. Further, the findings explain how age and size of the business determine the influential power of these mechanisms on strategic decisions. The study contributes towards a more holistic understanding of the strategic decision-making process in the family firm. It proposes a framework of underlying drivers determining family members' strategic behaviour based on their individual life cycle stage and age and size of the family business.

Table of Contents

CHAPTER 1: INTRODUCTION

CHAPTER 2: LITERATURE REVIEW

CHAPTER 3: RESEARCH METHODOLOGY

CHAPTER 4 – COMPANY PROFILES AND CASE DESCRIPTIONS

CHAPTER 5: ANALYSIS

CHAPTER 6: DISCUSSION OF FINDINGS AND EMPIRICAL DEVELOPMENT

CHAPTER 7: CONCLUSIONS AND RESEARCH CONTRIBUTION

List of Figures and Tables

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Author's Declaration

Declaration

I declare that the research contained in this thesis, unless otherwise formally indicated within the text, is the original work of the author. The thesis has not been previously submitted to this or any other university for a degree, and does not incorporate any material already submitted for a degree.

Signed

Dated 19/06/2014

CHAPTER 1: INTRODUCTION

1.0 The research context

For centuries, family firms have been an integral part of many nations' wealth and economic performance (Astrachan and Shanker, 2003; Morck and Young, 2004). However, it was not until the 1980s that family business research emerged as a separate academic field. Since then, academic interest in family firms has grown substantially, particularly in the last decade (Astrachan, 2010).

It is argued that family firms possess a unique business setting (Chrisman et al., 2005; Habbershon and Williams, 1999; Moores, 2009). This is due to the integration of family life and business life, and the naturally close link between them; family firms are a setting in which family and work conditions are closely intertwined (Burke and Greenglass, 1987; Morf, 1989; Payton-Miyazaki and Brayfield, 1976; Zedeck, 1992). For example, family members can also be supervisors, co-workers or subordinates of one another (Payton-Miyazaki and Brayfield, 1976), or can occupy the role of external or informal advisors to the business. As a result, family firms' top management teams are often a reflection of the familial setting, with both parents and offspring actively engaged in the management of the firm. Due to this setting and the relationships family members share, it is assumed that family-related values such as trust, loyalty, shared experiences, a common view of the world and love and affection are, to some extent, transferred into the business context (see for example Habbershon and Williams, 1999).

1.1 Identification of gaps in the literature

It has been suggested that the integration of family and business life provides an explanation of why strategies pursued by family firms are often quite different from the strategies of non-family firms (e.g. Chrisman, Chua, and Sharma, 2005; Kotey, 2005). In order to explain family firms' strategies, scholars have borrowed and adapted various concepts and frameworks from related disciplines, mainly from the field of strategic management, including agency theory (Jensen and Meckling, 1976), stewardship theory (Davis, Schoorman, and Donaldson, 1997) and the resource-based view (Wernerfelt, 1984). As extensions of these theories, further concepts have been developed and

introduced, such as social capital theory and the concept of familiness (Habbershon and Williams, 1999).

Although these concepts are able to capture and explain some of family firms' strategic behaviour, strategy research into family firms remains inconclusive, and family firm strategy development is largely unexplored (Basco and Perez Rodriguez, 2009; Ibrahim, Angelidis, and Parsa, 2008; 2011; Lindow et al., 2010; Zahra and Sharma, 2004). In particular, there seems to be a lack of understanding of how strategy is developed within the family firm (Chrisman, Chua, and Sharma, 2005; Nordqvist, 2011) under the condition of the overlap (Tagiuri and Davis, 1996) or fusion (Basco and Pérez Rodríguez, 2009; Pieper and Klein, 2007) of family life and business life. In other words, the prevailing theories from related disciplines do not quite holistically capture the process of strategy formation in the family firm, and researchers should "look beyond traditional formal planning and performance objectives to understand the range of practice of strategic thinking in family businesses" (O'Regan, Hughes, Collins, & Tucker, 2010:69).

Research in the field of management strategy predominantly centres around large non-family businesses (see for example Furrer et al., 2008; Hoskisson et al., 1999) and on how strategy affects performance (Furrer et al., 2008) rather than on what determines strategy; in contrast, strategy research into SMEs and entrepreneurship generally focusses on opportunity identification in new and emerging firms (e.g. Busenitz et al., 2003; Schendel and Hitt, 2007; Shane and Venkataraman, 2000), but lacks theoretical explanations of *how* (Salvato and Melin, 2008) the actual strategy process in established family businesses may be affected by the family-business relationship (Basco and Pérez Rodríguez, 2009; Pieper and Klein, 2007; Tagiuri and Davis, 1996).

1.1.1 The problem with defining the family firm

Part of the definitional problem lies in the fact that, despite 40 years of research, the family business community is still in disagreement of what actually constitutes a family firm (see for example Chrisman et al., 2005), meaning that whilst for certain definitions of the family firm existing theories are highly relevant, for other definitions the same theories are unsuitable. For example, if a family firm is defined as a company run by a lone founder (see for example McConaughy et al., 1998) or as a firm where the founder possesses only fractional ownership (see for example Anderson, Mansi, and Reeb, 2003), agency theory or the resource-based view in its initial form may be well suited to capturing the issue of

strategic decision-making, since 'family effects' are less likely to impinge on the strategic decision-making process due to highly limited family involvement. However, should the family firm be defined as a business where one family controls more than 50% of shares (see for example Ang, Cole, and Lin, 2000), with at least two family members actively engaged in the company's management (see for example Gomez-Mejia et al., 2003), agency theory, presuming the self-serving human (Chrisman et al., 2007), might be less applicable in explaining a setting where altruistic motivations, shared values and interests, or social priorities are believed to be influential elements in the formulation of business strategy and decision-making (e.g. Jarzabkowski et al., 2007; Schulze, Lubatkin, and Dino, 2002). Hence, as a sub-aim this study explores the issue of defining a family business, further offering a working definition of the family business that appreciates its distinctive elements whilst clearly separating the family firm from the non-family firm.

1.1.2 Family influences on strategic decision-making

The main reason for the dearth of understanding about family firms' strategy development lies in the fact that concepts borrowed from established disciplines offer no holistic explanation of the strategic decision-making process in the family resulting from the intersection between the family and the business. Specifically, what is needed is empirical exploration of *how* family specificities (Salvato and Melin, 2008), partly summarised under the notion of 'familiness' (Habbershon and Williams, 1999) or social capital, such as trust relationships, familial value systems, emotional closeness, shared views of the world, or loyalty impinge on the strategic decision-making process in the family firm and how this ultimately affects family firms' strategies (e.g. Basco and Perez Rodriguez, 2009; Ibrahim, Angelidis, and Parsa, 2008, 2011; Lindow et al., 2010; Nordqvist, 2011; Salvato and Melin, 2008). Such effects on the decision-making process have been referred to as 'indirect effects' on business strategy (Chrisman et al., 2005), since they are often not visible to the human eye in influencing the behaviour of the family entrepreneur.

1.2 The research aim

The overall aim of this research is **to develop the theory of family business strategy by explaining *how* the family context influences the strategic decision-making process in the family firm.**

In particular, this thesis aims to: (a) analyse the complex process of strategic decision-making in the family firm, with a focus on the intersection of family and business life, using a critical realist lens; (b) identify potential underlying mechanisms emerging from this relationship driving family firms' strategies, and (c) explain what triggers these mechanisms, how they interact, and how they influence the individual family members' actions and behaviour and, as a result, the strategic decision-making process in the family firm.

Attention hereby is directed towards the process of how strategic decisions are formed rather than the outcome of strategic action.

1.3 The challenges

The author has faced a number of challenges in this research. Firstly, as indicated earlier, family firm research in general struggles with the issue of definition. To date, there is no standardised definition of the family firm, making it difficult to yield comparable results in family firm research. The author addresses this issue (Chapter 2) and identifies a number of possible classifications with a view to a more standardised categorisation of family firms.

Secondly, indirect effects on business strategy, such as love, respect, care, interpersonal trust relationships, or achievement motivation are generally not directly observable and often impinge on the decision-making process and its actors subconsciously and/or unnoticed by the human eye. Thus, in order to go beneath what is empirically observable, a method and worldview need to be chosen that allow for the uncovering of the underlying drivers of business strategy and for the explanation of how these interact to cause specific strategic action.

The third challenge is the complexity of the phenomenon. With numerous uncontrollable factors impinging on strategic decision-making processes, and with the added complexity of the family context for strategy development in the family firm, a

method is required that allows for the collection of rich data whilst appreciating the micro-processes of the phenomenon.

1.4 Methodology

The research follows a non-positivistic largely grounded approach (Glaser and Strauss, 1967), in which theory is developed from an iterative process of qualitative analysis. The author approaches data collection without pre-defined theoretical constructs or propositions, but instead with a general set of ideas to make sense of the data obtained (Hammersley and Atkinson, 2007). Grounded theorising fits with the aim of study as it allows for thorough investigation of the phenomenon in all its complexity. Grounded theorising also fits well with the choice of a case study method, since case study method is characterised by the collection of rich qualitative data (Yin, 2003).

In addition to the case study method, the author has chosen a strategy-as-practice perspective. Strategy-as-practice places emphasis on both the human and the social aspects of strategic management (Johnson et al., 2007) by focussing on both micro and macro processes of social interaction in strategic planning and strategy execution (Jarzabkowski et al., 2007). It thus fits well with the aim of the study.

Furthermore, in order to go beyond the empirically observable, the author has adopted a critical realist ontology with antecedents in Bhaskar (1975) and Archer (1995). Critical realism assumes a structured reality, that is, the existence of different layers of reality that reach beyond what is observable by the human eye. These layers and their structures and mechanisms can be accessed via the process of retroduction. Indirect effects on strategic decision-making can be regarded as mechanisms that drive strategic action beneath the surface. Critical realism acknowledges the existence of mechanisms that cannot be directly observed. Thus, a critical realist ontology is appropriate for the purpose of this research.

The main source of data collection is in-depth interviews based on a set of open-ended questions on the theme of strategic decision-making, as well as on the respondents' life histories and family relationships, in order to generate rich data. The author developed a nine-step model for data analysis. The results have been used to develop a theory on the role of the family context on family business strategy.

1.5 Findings and contribution

Firstly, this research develops theory by explaining how the family context influences strategic decisions in family businesses. Prevalent theories in the field of family business strategy are focussed on the outcome of strategic decisions rather than on *how* strategy emerges, taking into consideration the intersection of family life and business life. This research contributes to a more holistic understanding of strategic decision-making in the family firm, raising both academics' and practitioners' awareness and knowledge of the underlying processes that drive strategic action.

Specifically, the findings reach beyond the identification of family-related variables, commonly termed 'familiness', and explain *how* the family context influences strategic decisions, that is, how the interplay of various family-related drivers governs the behaviour of individual family members, affecting their behaviour and subsequently the strategic decisions they make. This research distinguishes between different types of family businesses and provides empirical evidence that the influential strength of the family context varies with both the age and the size of the firm.

Secondly, the thesis contributes to theoretical development by linking individuals' strategic behaviour as triggered by the family context to their personal life-cycle stage. This reaches beyond viewing the family business as a unit, and relates strategic action to individual family members.

Thirdly, in using a critical realist perspective the author offers an alternative framework for the generation of knowledge in family business research. The critical realist perspective is underrepresented in management research (Easton, 2010; Nordqvist, 2011), and existing models (see for example Danermark et al., 2002) lack practical application. The suggested nine-step-model, which focuses on the retroductive process reaches beyond the empirically observable, providing a methodical approach to unveil the generative mechanisms and how they interact to cause specific events to occur. This is suggested to be particularly useful for future research into family business strategy due to the importance of social interaction and underlying structures and mechanisms that have been shown to drive strategic action.

Finally, with the identification of possible categories to distinguish different types of family businesses, the author aims to stimulate future discussion to move towards a standardised definition of the family business, considering the fragmented nature of family

firms. A common definition with a standardised set of variables will help to make research results more comparable and thus aid the future development of the field.

1.6 Structure of the dissertation

The structure of the thesis is designed around the central aim of theoretical development in the field of family business strategy. Chapter 2 provides an overview of the research context and addresses the issue of defining the family business and the importance of a definition in terms of theoretical development. The chapter identifies gaps in the existing literature and provides a rationale for the research discussed here. The author identifies a lack of understanding of the strategy process in family firms due to the use of concepts and theories adopted from related and preceding fields of research that only partly grasp the unique set-up of the family firm resulting from the family/firm relationship. Further, the prevailing theories focussing on the outcome of business strategy largely neglect the process of strategy development and subsequently lead to an incomplete understanding of strategy in family firms.

In order to unveil the indirect influences emerging from the intersection of family life and business life, the author proposes a largely grounded approach, using a case study method and taking a strategy-as-practice perspective under the umbrella of a critical realist ontology (Chapter 3), and develops a nine-step model that allows the unveiling of the generative mechanisms and how they interact to drive strategy in family firms.

Chapter 4 provides an introduction to the individual cases used (strategic decisions) in their particular research contexts (individual family firms). Chapter 5 provides a close examination of 13 cases. The findings provide empirical evidence for the development of theory in the field of family business strategy (Chapter 6). Chapter 7 discusses the results in the light of existing theory and the contributions of this research to the field of family business strategy research, management practice and policy making, as well as its limitations and areas for the future development of the field.

CHAPTER 2: LITERATURE REVIEW

2.0 Introduction

This chapter provides an overview of the development of the field of family business research. This is followed by a discussion of the issues evolving around the definition of the family business. In line with the research aim, the focus is placed on the sub-field of strategic decision-making in the family firm and a critical discussion of the prevailing theories, including agency and stewardship theory, the resource-based view and the related concepts of 'familiness' and social capital. From this discussion gaps in the existing literature will emerge, leading to the development of the rationale and central purpose of this thesis.

2.1 Development of the field

Family firms have been in existence for thousands of years, and still dominate the economic landscape of most nations today (Astrachan and Shanker, 2003; Morck and Yeung, 2004). In Germany, for example, more than 95% of all firms are regarded as family-founded firms, accounting for about two-thirds of the nation's economic performance and employment. 98% or 3.086 Mio of these family firms are owner-managed.[1] However, the field of family business research only emerged in the 1980s from the mantle of small firm and entrepreneurship research, and it was not until the 1990s that the area was acknowledged as a distinct academic discipline (Bird et al., 2002; Neubauer and Lank, 1998).

The distinction of family business from the small business and entrepreneurship research came by moving away from a "tangential activity, academically flaky and lacking the scholarly body of knowledge" (Vesper, 1985:64), and towards the establishment of the field and its boundaries as a separate discipline, the introduction of more sophisticated research designs and methods, and the use of larger samples and databases enabling greater generalisation of findings (Plaschka and Welsch, 1990; Bird et al., 2002).

In past research, various concepts and constructs were adopted from related disciplines such as strategic management, psychology, and entrepreneurship, and were

[1] Stiftung Familienunternehmen (2009). Die Wahrnehmung der Wirtschaft in der Öffentlichkeit – Familienunternehmen und

moulded and developed to fit the specific requirements of family firm research. The most prominent concepts were agency theory (Jensen and Meckling, 1976) and the resource-based view (Wernerfelt, 1984). Based on these concepts, new theories and constructs more tailored to the unique setting of the family firm emerged, such as stewardship theory (Davis, Schoorman, and Donaldson, 1997) or the construct of 'familiness' (Habbershon and Williams, 1999) as an addition to the resource-based view.

In recent years, the development of the field of family business strategy gained momentum as academics began to pay increased attention to different aspects of strategy formulation in the family business, including closer examination of the familiness construct (Chrisman, Chua, and Litz, 2003; Ensley and Pearson, 2005; Pearson et al., 2008; Sharma, 2008), further review and extension of the concepts of agency (Anderson and Reeb, 2003; Villalonga and Amit, 2006) and stewardship (Chrisman, Chua, Kellermanns, and Chang, 2007; Miller and Le Breton-Miller, 2006; Miller, Le Breton-Miller, and Scholnick, 2008; Pieper, Klein, and Jaskiewicz, 2008; Zahra, Hayton, Neubaum, Dibrell, and Craig, 2008), and increased focus on the family-business relationship, management practice and the micro-level of social interaction amongst family actors (Nordqvist, 2011; Nordqvist and Melin, 2010). However, more work is required to examine the intersection between the family and the family venture, and specifically *how* the family context affects the firm's strategic actions, since it is this relationship that ultimately provides justification for the existence of the field as a distinct discipline. Considering the complexity of this family/firm relationship and its potential influence on strategic action, it can be argued that the field of family business strategy remains woefully understudied (Ibrahim, Angelidis, and Parsa, 2008; Astrachan, 2010).

Furthermore, despite the development of the field over the past four decades and its establishment as a separate discipline, it is notable that family business research still lacks a single accepted common definition of what constitutes a family firm, which is believed to be a reason for conflicting research results in the area of strategy formulation and performance (see for example Anderson and Reeb, 2003; Miller et al., 2007; Miller, Le Breton-Miller, and Scholnick, 2008; Le Breton-Miller and Miller, 2009; Villalonga and Amit, 2006).

The following section addresses the definition issue of family businesses in more depth, provides starting points for the development of a common definition, and develops a working definition for this study. This is followed by a review and a critical discussion of

the prevalent theories in family firm strategy, leading to the identification of existing gaps in family firm research and the rationale for this research.

2.2 Defining the family firm

Despite widespread interest in the field and an extensive and constantly growing literature base, there seems to be no exact definition of what actually constitutes a family firm (see for example Chrisman et al., 2005). Such lack of consensus has been suggested as one of the reasons for conflicting results in family business research (see for example Anderson and Reeb, 2003; Miller et al., 2007; Miller, Le Breton-Miller, and Scholnick, 2008; Le Breton-Miller and Miller, 2009; Villalonga and Amit, 2006).

2.2.1 Contrasting definitions of the family firm

Some authors define a family business as any company managed by its founder or any member of its founding family (McConaughy et al., 1998). Others suggest that a family venture is a firm where the founding family or the lone founder possess fractional ownership (while the individual fractions of ownership vary greatly) of the business, or are part of the Top Management Team (TMT) (see for example Anderson, Mansi, and Reeb, 2003; Ang, Cole, and Lin, 2000; Barth et al., 2005). However, some argue that to be recognised as a family firm there is the need for full private ownership (see for example Schulze et al., 2003). Definitions further differ in terms of the number of families controlling the business. Ang, Cole, and Lin (2000), for example, define a family firm as a business in which one family controls more than 50% of the firm's shares, whereas others include family groups or other lone entrepreneurs (Claessens, Djankov, and Lang, 2000; Faccio and Lang, 2002). Additionally, there is a lack of consensus as to whether the controlling family needs to be the founder family or related to the founder family (see for example Cronqvist and Nilsson, 2003; Fahlenbrach, 2006) or whether the owning or managing family may be any individual or family that entered the business at any time after foundation (Holderness and Sheehan, 1988). There is also disagreement with regard to the strength of the family relationship. For example, Gomez-Mejia et al. (2003) specifically limit family relationships to fathers, mothers, sisters, brothers, sons, daughters, spouses, in-laws, aunts, uncles, nieces, nephews, and cousins, whereas others include distant relatives, friends, classmates, colleagues, and business partners (see for example

Luo and Chung, 2005). Taking into consideration that family influences on strategic actions within the family venture may differ with regard to the number of family members engaged in the firm's management, with ownership of the company, or with a historical familial link to the business, the author argues that a single common definition of the family firm should provide clarity in regard to the **management and ownership structure of the company**.

Further, more clarity is required in regard to the **age of the business** (see for example Villalonga and Amit, 2006). One question here is whether a first generation, lone-founder business can be regarded as a family venture or not, as many of the characteristics commonly associated with a family business, such as increased trust relationships, altruism, nepotism, intergenerational conflict, and 'familiness' (Habbershon and Williams, 1999) only arise with more than one family member actively engaged in the firm, and some of them only when the business has been established over generations and/or when there are multiple generations engaged in business activity. Thus, depending on how long the business has been in existence, strategic goals may vary, particularly in relation to family involvement in strategic decision-making, making it difficult to compare research results without clearly defined boundaries.

There is also no consensus in terms of the **size of the business**. Anderson and Reeb (2003), for example, examine family firms from the S&P 500; Beehr, Drexler, and Faulkner (1997) define their sample as 'small family owned establishments'; Daily and Dollinger (2002) select firms with less than 500 employees; Gallo, Tapies, and Cappuyns (2000) examine family firms with sales of over 3 billion pesetas; Villalonga and Amit's (2004) sample includes only Fortune 500 firms; and Tanewski, Prajogo, and Sohal (2003) limit their sample to firms with fewer than 100 employees, to name just a few. In contrast, the European Commission provides the following definition of firm size: small firms: 10-49 employees; medium firms: 50-249 employees; and large firms: 250+ employees (Centre for Strategy and Evaluation Services, 2012). This lack of clarity in terms of the size of the business further complicates the comparability of research results, and justifies the author's call for a common definition of the family firm that appreciates their variety and helps researchers to place their sample within a standardised set of pre-defined variables. Based on the differences identified above, the author proposes the following variables: (1) ownership; (2) management; (3) size; and (4) age of the business.

In the following section the proposed variables will be addressed in more depth, and a working definition will be developed for the purpose of this thesis.

2.2.2 Development of a working definition of the family firm

This lack of clear boundaries and guidelines in regard to the ownership, management, size, and age of family firms has led to a variety of research outcomes that have in the past lacked comparability (see for example Anderson and Reeb, 2003). In developing a working definition of the family firm, the author proposes these classifications to be incorporated into a single accepted common definition of the family firm. The classifications will be based on the four factors identified above, since the existence, abundance and strength of these factors are believed to substantially influence the family/business relationship and therefore the strategies family firms pursue.

(1) Ownership: Ownership is an important factor in defining the family firm as this is what makes family firms different from non-family firms (Klein, Astrachan, and Smyrnios, 2005), but also, depending on the degree, ownership determines the control over the business and subsequently the firm's strategic direction. Significant family ownership may ensure that family interests are taken into account and that goals may be aligned towards a family vision.

For example, ownership can directly affect business strategy (Kellermanns et al., 2008; Steier, 2001) in terms of risk-taking behaviour (family welfare may be at stake), a greater tendency towards achievement of long-term goals and visions (with the prospect of family succession), wealth creation and tactics for growth (Miller, Le Breton-Miller, and Lester, 2010; Zahra, 2005), profitability (Allouche, Amann, Jaussaud, and Kurashina, 2008), and agency costs (Schulze et al., 2001). With dispersion of ownership, control of the business becomes more difficult to exercise (Schulze, Lubatkin, and Dino, 2003), leading to changes in business values and long-term strategy. It has been argued that dispersed ownership among family members and across generations is likely to lead to different perspectives and desires towards business strategy and to promote conflict (Gersick e al. 1997), including sibling rivalry, the offspring's desire to differentiate themselves from their parents, inheritance problems, or marital discord (Schulze et al., 2003; Lansberg, 1983). Such conflict can both foster and hinder business development (see for example, Eddleston, Otondo, and Kellermanns, 2008) by influencing the way family members make decisions and interact with each other (Fillbeck and Smith, 1997). Generational ownership dispersion may also increase the dependency of parents on their offspring. As company shares are handed down to the offspring the recipient gains in

influence in the business and as a result over the provider. This shift in the power relationship between parents and offspring is likely to promote the parents' altruistic behaviour ultimately affecting the way strategy is made in the family firm. Additionally, ownership can promote the emergence of social capital and familiness, which in turn will affect both a business' ability to achieve competitive advantage and therefore a its strategic behaviour. Thus, the degree of ownership should be included in a definition of the family firm. It has been suggested to distinguish between significant family ownership (>50%) and minor family ownership (<50%) (see for example Miller, Le Breton-Miller, and Lester, 2010, 2011). On the other hand, there remains the question as to whether a firm that does not have significant family ownership really constitutes a family firm, or if such businesses should instead be treated as entrepreneurial ventures. For this study, the working definition of a family firm will assume significant family ownership for the sample of firms.

(2) Management: A definition of a family business should also distinguish between degrees of family engagement in management and decision-making. Family involvement in management can be seen as the degree to which family members are present in key management positions, and thus their ability to leverage control over the firm's vision and strategy. Family involvement is likely to determine a firm's approach towards management (agency or stewardship behaviour) and strategy, including the importance of long- or short-term goal alignment, short-term profit maximisation or long-term value creation, and risk-taking behaviour. Thus, the degree of family involvement is likely to impact on a family firm's strategic behaviour. Similar to ownership, a simple categorisation could distinguish between significant family involvement in management, where family members hold more than 50% of votes on the board or are able to outvote any non-family board members, and minor family involvement in management, with family members holding less than 50% of votes or are not able to outvote external board or TMT members (Miller and Le Breton-Miller, 2005).

In addition, there should be a clear distinction between lone-founder managed firms and firms with the involvement of more than one family member. Lone-founder/owner managed firms are generally not subject to the effects of family involvement, but can instead be considered as entrepreneurial ventures (Sirmon et al., 2008). Hence, potential family effects (see the concept of familiness, discussed later in this chapter) will not be present in such firms. Thus, a definition of a family business should acknowledge the

active involvement of more than one member of a family (Miller and Le Breton-Miller, 2005) in the firm's management.

Furthermore, family firms often face intergenerational issues, whereby the involvement of more than one generation may lead to differences in risk-taking behaviour, stewardship, altruistic behaviour, or intergenerational conflict etc., which are believed to have substantial effects on the emergence of social capital, the creation of competitive advantage, and the strategic actions family firms pursue.

For the working definition used in this thesis, significant family management with a minimum of two family members actively engaged in the business is assumed, since family effects will only derive from interactions between members of a family.

(3) Size: The definition of a family business should also refer to the size of the business. It has been suggested that the size of any business affects its business strategy (see for example Hansen, 1992). This may be due to a larger number of non-family members on the TMT leaving less room for input by family members not directly engaged in the firm, and a greater need for knowledge input by individual division or sub-division leaders. In addition, due to increased standardisation of decision-making processes, possibly more hierarchical structures, and, in some cases, more fragmented fields of activity of the business, larger firms are prone to a loss of flexibility and decision-making speed. Thus, the size of the business can have substantial implications for a firm's strategic behaviour. Neglecting firm size in academic research may therefore lead to some distortion when comparing research outcomes. Categorisation in terms of size is therefore crucial when defining a family firm. One way of categorising firms by size is by referring to the number of employees. The definition adopted for this research is that of the European Commission, which is: small firms: 10-49 employees; medium firms: 50-249 employees; and large firms: 250+ employees (Centre for Strategy and Evaluation Services, 2012).

(4) Age: The age of the firm can have substantial implications for a family firm's strategy. Values and norms such as trust, relationships, identity, shared knowledge and experiences, etc. can influence a family firm's strategy (e.g. Chrisman, Chua, Kellermanns, and Chang, 2007; Miller and Le Breton-Miller, 2006; Pieper, Klein, and Jaskiewicz, 2008; Zahra et al., 2008). The values and norms a family possesses usually develop over time and are often carried forward from one generation to generation. Due to the cross-generational development of these values, it is believed that family businesses possess the ability to

create unique social capital resources (familiness), which may eventually turn into competitive advantage (Habbershon and Williams, 1999). The ability to create familiness is also one of the main distinctions between family and non-family businesses, yet for many of these effects to be present and leveraged, more than one generation needs to be actively engaged in the family firm. In lone-founder/owner firms, which are frequently classified as family firms (see for example McConaughy et al., 1998), such effects may not be present since family involvement tends to be minimal. Thus, these firms may follow different goals and pursue the daily business of strategy differently from firms where two or more generations are actively engaged in the business and/or dependent on the success of the venture. Categories may be related to the generation the business is in and the number of generations currently engaged in the management of the business (see management). Therefore, the age or generation of the family firm should be included in the definition of a family business.

In conclusion, the author suggests that a definition of the family firm should clearly distinguish between minor and significant ownership of the firm, as well between as minor and significant family involvement in the firm's management. In addition, there should be a clear distinction between small-, medium-, and large-sized family firms, and an age differentiation related to the generation the firm is currently in.

The family firms most prone to the effects of family involvement are likely to be small- to medium-sized second or third generation firms with a minimum of two generations actively involved in the business. Family influences on strategic decisions are also thought to appear in larger and/or older family firms – however, it is expected that family effects on strategic decisions decrease with the size and age of the firm, since with increasing organisational complexity more structured management processes are likely to have formed (Fama and Jensen, 1983; Meyer and Scott, 1983). This thesis aims to explore how such influences emerging from the family-business context affect strategic decisions in family firms by examining family firms with significant ownership and family management across different ages and sizes.

2.3 Strategy in the family firm

Over the last 30 years there has been an increasing research interest in family businesses. Family firms are believed to have a set of characteristics that make them 'special cases' in management strategy (Miller and Le Breton-Miller, 2005; Sharma, Chrisman, and Chua, 1997). Ward (1988) argues that this unique setting is due to an incorporation of family issues in strategic thinking, which is captured in the notion of parallel planning, that is, the need to plan for both business and family in order to maintain health in both systems (Carlock and Ward, 2001). Family firms occupy a unique position in strategic management, and need to be seen as completely interdependent (Sandberg, 1992; Ward, 1987) with the formulation of strategy being significantly influenced by the family (Harris, Martinez, and Ward, 1994). Further, Astrachan (2010) suggests that it is a family firm's unique characteristics such as family culture or family goals that are likely to shape strategic action, and others argue that family dynamics are likely to influence strategic choices (see for example Chrisman et al., 2005; Dyer, 2003; Litz, 1997).

There seems to be agreement that family values, priorities, and interests are likely to impact on the family firm's strategy processes (Arregle et al., 2007; Carney, 2005; Habbershon and Williams, 1999; Nordqvist and Melin, 2008; Sharma et al., 1997). As such, family firms can be seen as value-driven (Denison, Lief, and Ward, 2004; Olson et al., 2003), often pursuing goals other than purely financial ones (Astrachan and Jaskiewicz, 2008; Gomez-Mejia, Haynes, Nunez-Nickel, Jacobson, and Moyano-Fuentes, 2007; Zellweger and Astrachan, 2008). Additionally, family involvement has been linked to a long-term approach to strategic management (Anderson and Reeb, 2003; Dreux, 1990; Le Breton-Miller and Miller, 2006, Sirmon and Hitt, 2003). Due to this long-term perspective, family firms can often rely on established networks built on long-term relationships. Those foster trust and subsequently influence strategic behaviour (Anderson, Jack, and Dodd, 2005; Carney, 2005; Karra, Tracey, and Philipps, 2006).

However, despite overwhelming support that family businesses are likely to pursue strategies that differ from those of non-family firms due to the unique setting in which company and family are often close intertwined, strategy in the family business remains a largely understudied aspect of the family firm (Ibrahim, Angelidis, and Parsa, 2008; Zahra and Sharma, 2004).

To date, the field of strategy research in the family business has faced the problem of being placed between strategic management research and strategy research in

entrepreneurship. Strategic management research, on the one hand, is often focussed on large non-family firms (e.g. Furrer, Thomas, and Goussevskaia, 2008; Hoskisson, Hit, Wan, and Yiu, 1999) with 'strategy as a route to performance' (Astrachan, 2010:7), which is consistent with an increasing tendency towards the use of secondary data in strategy research deriving from listed companies (Astrachan, 2010). As a result, the issue of how strategy emerges has been neglected, and the focus has been directed towards large listed companies about which such data is easily available (Phelan, Ferreira, and Salvador, 2002), raising the question of whether such findings are applicable to small- to medium-sized, privately owned family businesses.

On the other hand, strategy research in entrepreneurship is usually concerned with the picture of the lone founder and their personal ability to identify lucrative opportunities (see for example Shane and Venkataraman, 2000; Venkataraman, 1997), and to drive the strategic decision-making process in new and evolving enterprises (see for example Busenitz et al., 2003; Schendel and Hitt, 2007). Strategy research in entrepreneurship has also focussed on cognitive traits and characteristics of the entrepreneur (e.g. Chen et al., 1998), and on cognitive factors and processes – that is, how entrepreneurs think, reason and make decisions (see for example Baron, 1998; Brush, 1992; Jenkins and Johnson, 1997; Gatewood et al., 1995; McCarthy, Schoorman, and Cooper, 1993), including factors such as overconfidence in their own judgment, use of heuristics (see for example Busenitz and Barney, 1997), and a reduced tendency to engage in counterfactual thinking (see for example Baron, 2000).

Although these factors may be applicable to individuals in the family firm, strategy research in entrepreneurship neglects the 'family' aspect; that is, an environment where responsibilities and values are shared between family members, where deep trust relationships exist that may have been established over long-term periods, and wealth is distributed across generations. Families are a special type of group that is bonded by kinship ties, shared values, and norms (Rothausen, 1999; Stewart, 2003; Walters, 1982) rather than by financial, market-based, or transactional ties, and family dynamics affect strategic decision-making processes in a different way from the lone entrepreneur (Chrisman et al., 2005; Dyer, 2003; Litz, 1997). Furthermore, family dynamics have been found to affect the way strategy is developed and implemented (Brunninge, Nordqvist, and Wiklund, 2007), influencing structures, processes and operational activities within the business (Gersick, Lansberg, and Davis, 1990). Thus, due to these family dynamics, family firms are likely to pursue different strategies from the lone entrepreneur (Kellermanns et

al., 2008; Steier, 2001), raising the question of to what degree the findings in entrepreneurship strategy research are applicable to strategy research in the family firm.

Thus, despite the recent emergence of the field of family firm strategy, the empirical research remains inconclusive (see for example Daily and Dollinger, 1992, 1993; Gudmundson et al., 1999; Sirmon et al., 2008; Upton, Teal, and Felan, 2001). In particular, there seems to be a dearth of research into the actual strategy process (e.g. Basco and Perez Rodriguez, 2009; Ibrahim, Angelidis, and Parsa, 2008; Lindow et al., 2010; O'Regan, Hughes, and Collins, 2010; Zahra and Sharma, 2004), resulting in a lack of understanding of *how* strategies are made in family firms (Chrisman et al., 2005; Nordqvist, 2011). That is, research into family ventures lacks a clear theoretical explanation of *how* (Salvato and Melin, 2008) the strategy process in established family businesses may be affected by the overlap (Tagiuri and Davis, 1996) or fusion (Basco and Pérez Rodríguez, 2009; Pieper and Klein, 2007) of family and business life. The author believes that this may be due to the underdeveloped identity of family firm strategy research, resulting from its positioning between the fields of entrepreneurship and mainstream management strategy, and a consequential narrow focus on dominant theories borrowed and adopted from these adjoining fields. Subsequently, strategy research in the family business has focussed on opportunity identification (field of entrepreneurship) and performance (field of management strategy), rather than the antecedents of strategic decision-making resulting from the family business' unique situation of firm and family being closely interrelated. To strengthen this argument, in the following section the prevailing theories in family firm strategy research are discussed.

2.4 Prevailing theories in family firm strategy research

In order to understand the strategic decision-making process in the family business and how it differs from non-family businesses, academics have adopted various theoretical concepts from the field of strategic management, including agency theory, stewardship theory, or the resource-based view (Chrisman et al., 2005; Pearson, Carr, and Shaw, 2008). Based on these theories, further constructs have been developed that take into account the unique set-up of family businesses, such as the concepts of 'familiness' and social capital. These theories will be critically discussed in the light of family firm research, leading to the identification of gaps in the family firm strategy literature.

2.4.1 Agency theory

In 1976 Jensen and Meckling defined the concept of agency costs as the expenditures associated with monitoring of the principal, bonding by the agent, and the residual loss owing to divergent interests and contracting imperfections. Agency theory presumes that the value of a firm will be higher when ownership is concentrated rather than dispersed. Since ownership is often concentrated in family firms, various studies have suggested the superior performance of family businesses compared to non-family ventures (e.g. Anderson and Reeb, 2003; Villalonga and Amit, 2006).

Additionally, agency theory has been used to explain risk-taking behaviour in the family business' strategic decision-making (see for example Fama and Jensen, 1983), the link between managerial ownership and firm performance (Morck, Shleifer, and Vishny, 1988), and the effects of family ownership and family management on performance (Anderson and Reeb, 2003; Villalonga and Amit, 2006). Similarly, Chrisman, Chua, and Litz (2004) use agency costs to explain performance differences between family ventures and non-family firms.

Based on agency theory, Schulze et al. (2001) were among the first to address the problems of altruism and self-control in family firm research, exposing the family to agency problems, which had not been anticipated in the original agency theory framework. In addition, agency theory was used to highlight the problem of management entrenchment in family and non-family firms (Gómez-Mejía et al., 2001), the effect of ownership dispersion on the use of debt in family firms (Schulze, Lubatkin, and Dino, 2003a), and the relationship between firm performance and pay incentives in family firms (Schulze, Lubatkin, and Dino, 2003b). Morck and Yeung (2003) use agency theory to address the costs related to the family firm from an economic perspective rather than the benefits, and show that owner-owner problems in large firms may have implications that exceed the boundaries of the firm.

Further, agency theory has been used to identify sources for value creation in the family firm (Carney, 2005), recognising the importance of social capital as a primary competitive advantage of the family business (e.g. Arregle, Hitt, Sirmon, and Very, 2007; Pearson, Carr, and Shaw, 2008; Sharma, 2008), and Bocatto, Gispert, and Rialp (2010) draw on agency theory to explain the relationship between pre-performance and succession in family firms.

Limitations of agency theory

There are, however, various limitations to the use of agency theory in family firm research. Agency theory follows the implicit assumption that the sole aim of a business is the creation of wealth through competitive advantage (Chua, Chrisman, and Steier, 2003). Agency theory presumes the self-serving human (Chrisman et al., 2007) in assuming that individuals only pursue their own self-interest, that is maximisation of the expected utility of an outcome, and the expectation that others will follow their personal self-interest as well (Eisenhardt, 1989a). Hence agency theory focusses on the economic outcomes of transactions and interactions, but has been criticised for ignoring the social aspects of relationships (see for example Cropanzano and Mitchell, 2005; Lubatkin, 2005; Shapiro, 2005). This is a particular criticism in family firm research, where altruistic motivations, shared values and interests, and social priorities are believed to be influential elements in the formulation of business strategy and decision-making (Chrisman et al., 2005; Chua, Chrisman, and Steier, 2003; Jarzabkowski et al., 2007; Schulze, Lubatkin, and Dino, 2003). In comparison to non-family firms, where lone-founder constituencies are usually "emotionally detached, diverse, and financially motivated", in a family business, family members actively involved in business activity "are primary constituencies of one another" (Miller et al., 2011:3); thus, familial attitudes and agendas can often not be avoided (Miller et al., 2011). Although more recent studies have identified and included variables such as problems of self-control or asymmetric altruism as unique agency issues for family businesses (Lubatkin, Schulze, Ling, and Dino, 2005; Schulze et al., 2001), Pieper argues that, despite being highly significant in family firm research, agency theory remains inherently "de-socialized" (2010:27) and too narrowly focussed on economic self-interest (Miller et al., 2011). However, agency theory, which presumes the self-serving human, serves as the main foundation for research into a type of organisation that has been shown to operate on a highly relational and emotionally loaded base. This leaves to question whether agency theory can therefore fully explain strategic behaviour in the family firm.

2.4.2 Stewardship theory

While agency theory has faced increasing criticism "for its overemphasis on the assumptions of the self-interested and opportunistic agent" (Zahra et al., 2008:1037), stewardship theory (Davis, Schoorman, and Donaldson, 1997), which lies at the other end of the spectrum of self-interest, offers a contrasting perspective. It incorporates psychological and sociological understandings of human behaviour and assumes individuals to be pro-organisational, acting in the best interests of the firm and its stakeholders rather than on pure economic self-interest (Chrisman et al., 2007). Stewards are focussed on higher order intrinsic needs (Corbetta and Salvato, 2004) including self-actualisation, social contribution, loyalty, and generosity, ultimately enhancing the sustainable value of the business. Stewardship theory suggests that, for example, identification with and achievement of an organisation's mission can lead to inner satisfaction (Davis et al., 1997). Furthermore, stewardship theory presupposes that owner-managers have an increased emotional commitment to the business (Gómez-Mejía et al., 2007) and its long-term survival and reputation, since this will not only determine their personal but also their offspring's fortunes, careers, and honour (Arregle et al., 2007; Miller and Le Breton-Miller, 2005). Arregle et al. (2007:84) suggest that: "Family members are concerned about the firm because it is part of their collective patrimony and is often the main asset of the family". Therefore, owners are assumed to be more likely to invest in the business and to form long-lasting relationships with its stakeholders (James, 2006; Lansberg, 1999; Ward, 2004). In contributing to the success of the family business, family members may also derive psychological fulfilment, feel useful, and pursue self-actualisation (Ashforth and Mael, 1989). A stewardship culture can be seen in shared values between family and business, the owning family having high levels of commitment to and identification with the business, going beyond mere extrinsic motivations, and a long-term orientation towards business success (Corbetta and Salvato, 2004). Further, Sirmon and Hitt (2003) argue that through active involvement in the business, family members are likely to gain status and social capital, which may further motivate their allegiance to the business. As such, stewardship theory provides a viable alternative to agency theory (Pieper, 2010) for family firm research, where it has gained increasing popularity, particularly within the last decade (e.g. Chrisman, Chua, Kellermanns, and Chang, 2007; Miller and Le Breton-Miller, 2006; Miller, Le Breton-Miller, and Scholnick,

2008; Pieper, Klein, and Jaskiewicz, 2008; Le Breton-Miller and Miller, 2009; Zahra, Hayton, Neubaum, Dibrell, and Craig, 2008).

Stewardship theory has been related to long-term sustainability of the family business, resulting in profound investments in the firm's capabilities (Miller and Le Breton-Miller, 2005; Miller et al., 2008), including modern facilities, products, and market development (Habbershon and Williams, 1999; James, 2006; Lyman, 1991; Morris et al., 1997; Sirmon and Hitt, 2003).

Further, stewardship has been linked to building a culture of commitment and staff loyalty (Allouche and Amann, 1997; Goffee and Scase, 1985) due to better pay, increased long-term benefits, less diffuse salary structures, and lower turnover (Alouche and Amann, 1997; Reid and Harris, 2002). This is believed to result in a more capable workforce requiring less supervision, and subsequently flatter organisational structures (Beehr, Drexler, and Faulkner, 1997) as well as a more informal and collaborative firm culture (Arrégle et al., 2007; Goffee and Scase, 1985; Miller, Lee, Chang, and Le Breton-Miller, 2009; Tagiuri and Davis, 1992).

Stewardship theory has also been related to the formation of long-term relationships with the firm's stakeholders, including suppliers, customers, investors and the community. Due to the firm's long-term perspective, owners are believed to have a greater incentive to build sustainable relationships (Miller and Le Breton-Miller, 2005) and develop client loyalty (Miller et al., 2009; Slater and Narver, 2000). Further, Zahra et al. (2008) have found that a stewardship culture in family firms is related to strategic flexibility, that is, the firm's ability to respond to threats and to pursue new opportunities.

Finally, stewardship theory has also been used as an alternative framework to explain governance issues in family firms (see for example Corbetta and Salvato, 2004; Jaskiewicz and Klein, 2007; Pieper et al., 2008), and has proven to be of value in explaining differences in the behaviour of family ventures and non-family businesses (see for example Pieper et al., 2008).

Limitations of stewardship theory

Stewardship theory has been shown to be useful for understanding organisational performance in family firms (see for example Corbetta and Salvato, 2004; Zahra et al., 2008), but although stewardship theory recognises the emotional side of human behaviour, its theoretical base in family business research remains narrow (Pieper, 2010). Both agency

theory and stewardship theory are focussed on the outcome of strategic actions, yet largely neglect what determines strategy or how strategic actions are formed. Thus, in order to explain how the family context influences the strategic decision-making process in the family firm, approaches are needed that allow for increased attention to the micro-processes of the individual strategic decision.

2.4.3 Resource-based view

The resource-based view (RBV) is a prominent framework in management strategy research that looks into a firm, and isolates complex, dynamic, and intangible resources that enable a firm to achieve competitive advantage (Habbershon and Williams, 1999). The RBV indicates a shift in strategy research in the 1980s and 1990s, when most of the work on strategic advantage (see for example Porter, 1980, 1985, 1991) focussed on a firm's position in relation to its external environment. The RBV, in contrast, directs attention to a firm's internal resources, competencies, and capabilities in relation to strategic development and firm performance. In the 1980s and particularly in the 1990s, the RBV became one of the dominant perspectives in strategic management research (Collis, 1991; Hitt and Ireland, 1985; McGrath, MacMillan, and Venkatraman, 1995; Montgomery and Wernerfelt, 1988; Sirmon and Hitt, 2003; Wernerfelt, 1984).

The RBV suggests heterogeneity amongst firms operating in a specific industry with regard to the strategic resources these firms possess (Barney, 1991). Since these internal resources are not seamlessly mobile, resource heterogeneity may be long-lasting. In other words, according to the RBV, firms are likely to possess a bundle of internal resources and capabilities that may have been developed over time and which are specific to the individual firm (e.g. firm culture, trust relationships, and reputation), differentiating firms within an industry and therefore leading to long-term competitive advantage.

Resources are the stock of available factors that a firm owns or controls, and which are converted into final products or services (Amit and Schoemaker, 1993). They can include "anything that might be thought of as a strength or weakness of a given firm" (Wernerfelt, 1984:172). Resources can be physical or intangible assets, such as individual or corporate skills, processes, knowledge and information, etc. (Barney, 1991), as well as social, organisational, and individual phenomena within firms (Habbershon and Williams, 1999). Capabilities are processes that are specific to the company and which are developed over time via complex interactions among the firm's resources – these are usually based on

developing, carrying, and exchanging information using the firm's human capital (Amit and Schoemaker, 1993). Since no two firms possess the same collective set of resources and capabilities simultaneously (Collis and Montgomery, 1995), a firm's combination of resources can be seen as idiosyncratic (Habbershon and Williams, 1999). However, in order to create competitive advantage, these resources "must be valuable, […] rare among a firm's current and potential competition, […] imperfectly imitable, […] and without strategically [relevant] substitutes" (Barney, 1991:106).

This relationship between resources/capabilities and performance largely finds support in the strategic management literature (Habbershon and Williams, 2009). For example, Miller and Shamsie (1996) find that different types of resources, such as patents, contracts, distribution systems, functional and creative skills, as well as coordinative and team skills, explain performance in predicable or unpredictable environments. Hitt et al. (2001) suggest a direct and indirect influence of human capital on firm performance, while Brush and Artz (1999) find that a firm's resources and capabilities influence performance and can be used to protect competitive advantage. However, the effectiveness of the RBV in predicting firm performance without the acknowledgement of managerial involvement has been questioned (see for example Barney 1991; Mahoney, 1995; Sirmon and Hitt, 2003). Thus, to achieve competitive advantage, one needs to focus on the firm's management and on how the resources are implemented and deployed (Hitt, Ireland, and Hoskisson, 2001). Human and social capital, i.e. the tacit knowledge, skills, capabilities and relationships, therefore play a substantial role in regard to the performance of the business. Including the aspect of human capital in the RBV construct makes it more useful for family firm research, since particularly in the family firm, human and social capital can be regarded as a highly significant resource of the venture (Sirmon and Hitt, 2003).

Family firms are assumed to be "unusually complex, dynamic, and rich in intangible resources" (Habbershon et al., 2003:459), such as human and social capital (Bocatto et al., 2010) – this unique set of resources is often referred to as 'familiness' (see for example Cabrera-Suarez, De Saa-Perez, and Garcia-Almeida, 2001; Habbershon and Williams, 1999). Thus, by including human and social resources, the RBV has proven to be a suitable framework to assess strategy in the family venture, as it appreciates the links between the firm's internal resources and performance (Habbershon and Williams, 1999). The RBV acknowledges the business's intangible and complex resources and capabilities, such as shared values, trust relationships amongst family members, commitment, family and business culture, oand social capital. To date, various studies have successfully applied

the RBV construct to the study of the family business (see for example Boccatto et al., 2010; Chrisman, Chua, and Kellermanns, 2009; Eddleston, Kellmermanns, and Sarathy, 2008; Habbershon and Williams, 1999).

Cabrera-Suárez et al. (2001) use the RBV to discuss critical factors that influence the effectiveness of succession in family firms. They argue that distinctive tacit assets of family firms, such as commitment, trust, and reputation, can lead to long-term survival and firm growth if they can be transferred across generations (Cabrera-Suárez et al., 2001). By drawing on their previous work (Habbershon and Williams, 1999), Habbershon et al. (2003) specify a systems perspective for the RBV looking at family firms, arguing that distinctive familiness can ultimately lead to trans-generational wealth creation. Sirmon and Hitt (2003) create a RBV model explaining the resource management process in family firms; they argue that in comparison to non-family firms, the idiosyncratic nature of the management process may create both advantages and disadvantages for family firms. Sirmon and Hitt also add a 'family perspective' to the RBV by identifying various resources that mainly family businesses tend to possess, including "human capital, social capital, patient financial capital, survivability capital" (Chrisman et al., 2009:19), and governance structures. Social capital in particular has been established as a distinctive family resource (see for example Sorenson, Goodpaster, Hedberg, and Yu, 2009; Steier, 2001) due to the close family relationships that are reflected in the family firm context. Eddleston, Kellermanns, and Sarathy (2008) also find that family relationships can provide a source of competitive advantage in addition to firm-specific resources. In various instances the RBV has also been used in combination with other concepts, including agency and stewardship theory, social capital, and the construct of familiness (see for example Habbershon and Williams, 1999; Cabrera-Suarez et al., 2001; Sirmon and Hitt, 2003), in the sense that the occurrence of variables related to these concepts, such as interpersonal trust relationships, loyalty, and shared views of the world, constitute a unique resource for the family firm, since they are difficult to imitate or develop without the long-lasting relationships that occur in the family context.

The resource-based view and the concept of 'familiness'

Grounded in strategic management, the RBV has a strong focus on the company and its resources and capabilities, yet largely neglects the family business context. The familiness construct adds a family perspective to the RBV (Habbershon and Williams, 1999) by

highlighting human and social factors and the relationships that are distinctive to the family firm, which can be regarded as resources. Since these social resources and relationships are often unique to the individual family firm, they can be seen as a potential source of competitive advantage.

Thus, the construct of familiness has been developed from a RBV viewpoint and is specifically related to family business research. 'Familiness' describes the "resources and capabilities related to family involvement and interaction" (Chrisman, Chua, and Litz, 2003:468). More generally, familiness is used to explain the network of social relationships within the family firm (Pearson et al., 2008).

Since its introduction by Habbershon and Williams (1999), the familiness construct has received attention from both academics and practitioners. Ensley and Pearson (2005), for example, use the concept for the analysis of TMTs, and find that a higher level of familiness results in greater cohesion, task conflict, potency, and shared strategic consensus. Sharma (2008), amongst others, relate familiness to social capital. Tokarczyk, Hansen, Green, and Down (2007) describe how familiness affects a firm's market orientation, and Minichilli, Corbetta, and MacMillan (2010) link TMT familiness to firm performance.

Although the concept of familiness has been theoretically derived and empirically tested (see for example Craig and Moores, 2005; Ensley and Pearson, 2005; Lester and Canella, 2006; and Tokarczyk et al., 2007) the notion of familiness remains fragmented and fuzzy. Chrisman, Chua, and Steier note that "we do not yet fully understand sources and types of familiness" (2005:238), that is, the individual components that make up the construct of familiness. This is largely due to the fact that the components suggested by Habbershon and Williams (1999) constitute a combination of largely descriptive attributes of family ventures that are frequently proposed in the literature, yet are often not empirically grounded. Habbershon and Williams conclude that "it is the conditions and antecedents of distinctive familiness that researchers ultimately need to identify" (1999:13). These dimensions of familiness that can not be further specified by the RBV have been referred to as the "black box of familiness resources and capabilities" (Pearson, 2008:952).

The resource-based view, familiness, and social capital

In an attempt to complement the RBV perspective of familiness, Pearson et al. (2008) introduce social capital theory. Social capital theory can be viewed as an 'umbrella concept' (Hirsch and Levin, 1999), reflecting "the character of social relationships within the organization, realized through members' levels of collective goal orientation and shared trust" (Leana and Van Buren, 1999, in Pearson et al., 2008:954). The theory lends itself well to family firm research due to the theory's strong collective character, which acknowledges the shared values, norms, and visions summarised by the notion of 'familiness'.

Arregle et al. (2007), for example, establish a sequential approach, where family social capital is transformed into organisational social capital. Their conceptual framework indicates how organisational social capital derives from family social capital, hence from the family context, based on the construct of familiness (Habbershon and Williams, 1999). This framework contributes to the field of strategic management research in the family firm by offering an explanation of how social capital develops in the family business. Although the research appreciates the impact of the family in relation to the formation of organisational social capital, which may ultimately lead to competitive advantage, it does not address its effects on strategic action, that is, whether and *how* the family context specifically influences strategic decisions within the family firm.

Pearson et al. (2008) establish a synergetic approach, which views both family and organisational system as a unit, and suggest a number of dimensions (structural, cognitive, and relational) and components of familiness, including network ties, shared vision and language, trust, norms, obligations, and identification. The model they develop provides some interesting insight into what they call the black box of familiness by exemplifying how family involvement creates social capital, which in turn can be seen as familiness resources that lead to competitive advantage and ultimately wealth and sustained value for the family firm. The model sheds light on the largely neglected link between the family and the company, and on how and which social capital resources and capabilities are likely to be developed by family interaction. However, the model is based on the RBV and views familiness and social capital as a resource for competitive advantage, which might not always be the case (Zahra, 2010), since close family relationships have been shown to promote conflict, free-riding, and altruistic behaviour (see for example Portes, 1998), which can be detrimental to the family firm. In addition, the model remains conceptual in

nature and therefore lacks empirical exploration of the highly complex family firm construct. Further, the model does not explain *how* the family context specifically influences a family firm's strategic action. Thus, a more holistic perspective of familiness and family social capital is required to further the understanding of how the family context influences strategic action.

In summary, the inclusion of social capital in the familiness construct offers a valuable contribution to family firm strategy, and especially to the understanding of family influences on the firm. Social capital should be treated as a unique resource in the family business. However, it has not yet been explained how the family context influences family firm strategy, and there should be more focus on *how* the family context, including social capital and/or familiness, affects specific strategic actions rather than outcomes.

The way in which the family context influences strategic action is often not directly visible. Many of the variables suggested by the construct of familiness and social capital, including shared values, visions, and goals amongst family members, mutual trust relationships, and increased altruistic behaviour, are believed to influence strategic action on a somewhat subconscious level or indirectly, compared to more economic factors such as human or physical resource availability. Thus, the RBV with the inclusion of the 'family perspective' offers a valuable framework to assess a family firm's competitive advantage.

Limitations of the resource-based view

As with agency and stewardship theory, the RBV has a firm focus on the outcomes of strategic actions in regard to the competitive advantage achieved via a specific set of resources accessible to the firm. Although the RBV clearly highlights the conceptual link between the internal aspects of the business and its competitiveness (Barney, 1991), more attention should be paid to the underlying family-specific processes that lead to strategy formulation in the family firm (Zellweger, Eddleston, and Kellermans, 2010), including the particular role of individual family members or the uniqueness of the family's influence on the family venture's strategic action. This approach goes beyond the RBV, whose strength lies in the general identification and measurement of family-based resources and their effects on competitive advantage. A focus on resources is important, since it offers an explanation of *what* determines a family business' strategy, yet there seems to be general agreement amongst various scholars that research into *how* strategy is performed in the family business would ultimately yield better explanations of the family business'

competitive advantage (see for example Nordqvist, 2011; Salvato and Melin, 2008; Sharma and Irving, 2005). However, to date, little research has been carried out to investigate how family specificities may impact on a family business' strategy formulation; a "focus on possession of unique resources has prevented detailed understanding of what is specific to strategic practices and processes within FCBs [family controlled businesses]" (Salvato and Melin, 2008:259).

With the introduction of the constructs of familiness and social capital, a relatively large number of variables have been identified that are specific to the family venture (see for example Habbershon and Williams, 1999; Pearson et al., 2008); however, current research lacks a clear understanding of the practices and processes behind these factors and of *how* these family variables influence strategic action in the family firm. Since most of these factors, processes, and practices can be regarded as intangible and may not act on the decision-making process directly, they can be referred to as indirect effects on strategic decision-making (Chrisman et al., 2005).

2.5 Indirect effects on strategic decision-making in the family firm

Indirect effects on strategic decisions in family businesses are thought to derive from the unique set-up of the family venture, that is, the integration of and close links between family and business. This family business setting is believed to promote familial attributes in the business context, which may subsequently affect strategic decision-making processes in the family firm.

'Indirect' refers to *how* these factors emerging from the family context influence strategic actions, rather than *what* the variables are that determine family firm strategy. That is, the actual presence of many of these family specificities (Salvato and Melin, 2008) have already been identified under the notions of 'familiness' (e.g. trust, family relationships, altruism, etc.) or social capital, and some have recently been included in the RBV; yet, to date, it has not been explained whether and how these factors are interrelated and how they potentially drive strategic action beneath the surface of the visible decision-making process; that is, how the family context indirectly influences strategic decisions.

Family members can be seen as a stable group of people with strong relational ties. Frequent association within the group may lead to common cognitive frames (Burke, 1980), shared experiences, visions, purposes, understandings of the world, and norms and values (see for example Lansberg, 1999). Norms are generally regarded as legitimate,

socially shared guidelines to accepted and expected behaviour (Birenbaum and Sagarin, 1976). They can be seen as standards against which members of a group can evaluate the appropriateness of social behaviour. As such, social norms are powerful mechanisms for social control, and fundamental to human behaviour (Bettenhausen and Murnighan, 1991). Within a family, norms develop as family members interact and share experiences by sharing daily family routines and common rituals, and building a "deep reservoir of common history" (Broderick, 1993:1989). In family systems these might include internalised sets of accepted behaviour for members of the family (Hoffman, Hoelscher, and Sorenson, 2006), common belief systems that have been developed over generations and from common experiences (Adler and Kwon, 1999), and shared knowledge, visions, and meanings (Nahapiet and Ghoshal, 1998).

The closer the relational ties between members of the group, the stronger the manifestation of such norms, both within the group and in the individual members' belief systems. Even without explicit recognition or discussion, norms can wield considerable behavioural force (Bettenhausen and Murnighan, 1991). This may be particularly the case in the family system, where new members are usually born into the group and family norms are passed on from the earliest of ages. Family social ties are developed over time by living through common experiences and by gaining a deep understanding of other members' economic and social needs. A violation or challenge of the norms resulting from such strong family ties by individual members of the group will usually lead to conflict with other members of the social network.

Depending on the strength of the relational ties within the family, the resulting norms will shape and direct the individual members' behaviour (Granovetter, 1985); that is, family norms are likely to govern individuals' actions. In the family business context, this means that firm culture and strategic direction are likely to be governed by the implicit social relationships of the owning or managing family, which arguably characterises the main difference between family and non-family firms.

The family context may also lead to emotional closeness and the feeling of responsibility, leading to increased altruistic behaviour (Schulze et al., 2001) and strong trust relationships (Corbetta and Salvato, 2004; Pearson et al., 2008; Leana and Van Buren, 1999) amongst its members. Altruism constitutes a particular kind of "self-other" relationship, in which the principal (the "self": in a family context, the parents) tends to integrate the interests of "others" (in a family context, the children) into their decision-making processes and actions (Lubatkin, Durand, and Ling, 2007). Lubatkin et al. (2007)

propose five types of altruism, namely principal-based altruism, ideal-typical altruism, family-oriented altruism, paternalistic altruism, and psychosocial altruism, with family-oriented altruism being the most likely to occur in family firms. Family-oriented altruism is based on an endogenous co-dependency between parents and children, where the parents' interests come second. Buchanan (1975) was among the first to formalise family-oriented altruism in his theorem, "Samaritan's Dilemma". Buchanan found that parents tend to have a strong motivation to be generous to the offspring, often regardless of whether their actions or gifts are appreciated, or if they are instead viewed as entitlements. This provides children with "a powerful incentive to manipulate the content of their parents' transfers" (Lubatkin et al., 2007:1025) encouraging the children's self-serving wants, leading to free-riding, shirking, and other forms of egoistic behaviour, and ultimately household governance inefficiencies (Lubatkin et al., 2007).

Trust is a concept that has attracted attention from various disciplines, such as sociology, organisational behaviour, and strategy. Trust can be defined as "a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or the behaviour of another" (Rousseau, Sitkin, Burt, and Camerer, 1998:395). Thus, by trusting in the actions or behaviour of another person, individuals willingly put themselves in a vulnerable, interdependent, and uncertain position, expecting that the other person will act appropriately and in their common interest. There are various conceptualisations of trust. For example, Lewicki and Bunker (1996) propose three bases of trust, namely calculus-, knowledge-, and identification-based trust. Calculus-based trust is often related to agency and transaction cost theories and the associated rewards of preserving trust, or the fear of consequences when trust is breached (Lane, 1998). Knowledge-based trust refers to the predictability of the outcome, based on knowledge and information about, or competence of the trustee (Lane, 1998). While calculus- and knowledge-based trust play an important part in the business activity of most firms and are in most cases tied to formal societal and organisational structures rather than personal emotional bases, identification-based trust is shaped by more emotional patterns and based on strong, close, and enduring relational ties between the individuals involved. Identification-based trust develops when goals are aligned within a group (Lewicki and Bunker, 1996) and when individuals within a network share norms and values, and understand and value the desires of each other (Fukuyama, 1995). This is often the case when common kinship ties, familiarity, background, and interests exist (Lane, 1998). Rousseau et al. (1998) refer to this as relational trust. Relational trust is based on recurring

interactions and the establishment of relational bonds. Similarly, McAllister (1995) suggests that there are rational and emotional bases for trust. Whilst rational trust is cognition-based and results from calculative and knowledge bases of trust, emotional bases are based on affective bonds between the parties involved. Emotional bases of trust would include the notion of identification-based trust proposed by Lewicki and Bunker (1996). Generally, cognition-based trust is an antecedent of emotional trust, since emotional trust may only develop over the long term, requiring frequent interaction and close emotional relationships. However, in the family firm, such close relationships are usually established by nature due to existent familial bonds. Thus, in the family firm trust is initially based on identification resulting from close familial ties, shared values and norms, goal alignment, and a mutual understanding of each other. Cognitive bases will form only later in the business context but may, in fact, strengthen existing emotional or interpersonal trust relationships (Sundaramurthy, 2008). Thus, family firms are seen as 'high trust' organisations based on relational or interpersonal trust (Corbetta and Salvato, 2004), with their members forming an emotional bond that "enables a person to 'feel' as well as 'think' like the other" (Lewicki and Bunker, 1996:122) – in a non-family business setting hardly any relationships develop such levels of deep trust (Lewicki and Bunker, 1996). Identification-based trust as present in the family business results from family norms, as it is founded on shared values and beliefs, close emotional bonds, respect from and belief in each other.

Emotional ties may also lead to an increased desire to reach consensus (Dess and Origer, 1987; Dess 1987), achieve family harmony within the group (Schulze et al., 2001), or induce members of the group to assume the societal rationalities that conform with the objectives of the group (Thornton, 2004).

Consensus can be defined as "the agreement of all parties to a group decision", and is an important issue in management research (Dess and Origer, 1987:313). The underlying assumption in management research is that low variance in perceptions within a TMT should result in better-coordinated actions (Bourgeois, 1980; Child, 1972). This is thought to be particularly the case in family firms where family members share common experiences, values, and views of the world. With regard to business strategy, research suggests that strong consensus within a group can lead to certain limitations (see for example Schweiger, Sandberg, and Ragan, 1986; Schweiger, Sandberg, and Rechner, 1989). For example, in order to achieve consensus within the group (TMT, family), members can limit their independent critical thinking, hence neglecting the consideration

of opposing points of view on strategic decisions in order to contribute to more holistic thinking and argumentation. This is particularly present when the group is led by a patriarch or authoritarian leader (Janis, 1972).

It is also expected that members of the family share obligations to both the family and the company (Gersick, Davis, Hampton, and Lansberg, 1997). These influences portray the familial logic (see for example Friedland and Alford, 1991) of nurturing and devotion to the family. Hence, these influences are believed to be greatest when exerted by a proximate group such as the family (Tajfel and Turner, 1979), indicating the crucial role of the family context in the venture's strategic decision-making process (Miller et al., 2011).

Hoffman et al. (2006) suggest that strong family norms lead to obligations and expectations amongst the members of the family network. Family members engaged in the family firm will therefore have obligations to the other members of the group (both those involved and not engaged in the business) that reflect the norms and belief systems of the family. Subsequently, the family will have certain expectations of its individual members, which will ultimately provide the boundaries within which individuals are likely to act.

The strength of such obligations and expectations with regard to a group will largely depend on the stability of the system. As stability increases, for example over time, mutual obligations and expectations are likely to increase accordingly (Misztal, 1996). The offspring receives their primary socialisation from their family during childhood (Arregle et al., 2007).

The development of mutual obligations in a social network is further aided by frequent social interactions (Bourdieu, 1986). Family members have close social interactions with other family members from the earliest of ages, enhancing the development of mutual obligations and expectations. A family system is usually based on enduring and lifelong relationships, and, as family relationships progress, increasing interdependence and interactions produce greater degrees of reciprocity amongst family members (Arregle et al., 2007).

Thus, obligations and expectations of family members within the family firm towards other members of the family within or outside the venture are expected to be present in a family business construct. Such obligations and expectations may have substantial effects on the family firm's strategy, since decisions are likely to be taken within the acceptable boundaries of the family system's expectations of its members and the members' obligations to the group.

2.6 Summary and rationale

From the discussion above it can be seen that in the family firm, the family context adds another layer of complexity to the already complex issue of strategic decision-making, suggesting a clear differentiation from the process of strategy formulation in non-family firms. This distinction has led to the development of the field of family firm research and the adoption and subsequent adaptation of various concepts from the discipline of strategic management, including agency theory, stewardship theory and the RBV to explain family firm strategy. Whilst these concepts offer invaluable insights into strategy development in the family firm, the decision-making process in the family business still lacks a holistic explanation, particularly in regard to how the family context influences business strategy, which has been referred to as the "black box of familiness resources and capabilities" (Pearson, 2008:952). Hence, strategic decision-making in the family firm requires further explanation.

In order to explain the strategic decision-making process in family firms the author believes that new insights can be gained by turning the focus away from outcomes and performance measures, and directing it towards the actual process of decision-making and its underlying drivers. Specifically, focus should be directed towards indirect effects on strategic decision-making and on how strategic decisions evolve within the family firm. This finds support from various authors in the field (Basco and Perez Rodriguez, 2009; Chrisman, Chua, and Sharma, 2005; Ibrahim, Angelidis, and Parsa, 2008; 2011; Lindow et al., 2010; Nordqvist, 2011; Salvato and Melin, 2008; Zahra and Sharma, 2004). This leads to the following research question:

> **Research Question:** *How does the family context influence strategic decision-making in the family firm?*

However, indirect influences on strategic decision-making in family firms such as interpersonal trust, altruistic traits, family norms and values, and obligations and expectations are generally not directly observable at the macro-level – they impinge on the decision indirectly, often unnoticed by the human eye. This calls for a perspective that goes beyond the directly observable, focussing on the micro-processes of strategic decision-making. Thus, the author has chosen to adopt a strategy-as-practice perspective and a critical realist view of the world. The strategy-as-practice perspective provides a

focus on the micro-processes and activities of an organisation at the level of human and social interaction in strategic management (Jarzabkowski et al., 2007; Johnson et al., 2007), which is particularly suited for the purpose of this study, in which social interaction amongst family members is at the centre of interest. Critical realism, meanwhile, assumes different layers to reality – the empirical, the actual, and the real – and as such, offers a perspective that goes beyond empirically observable phenomena, aiming to uncover, via retroduction, the generative mechanisms (underlying drivers) of events. The author therefore argues that critical realism is ideally suited for the purpose of this study, in which the interest lies in the identification of underlying drivers for family firm strategy, and on how these mechanisms impact on the decision-making process.

In summary, this study is interested in *how* business strategy is influenced by the intersection of family and business, life with a focus on the micro-processes of strategic decision-making. Attention will be drawn to the level of social interaction amongst family members, both within and outside the physical business setting. In doing so, the study contributes to the field of family firm strategy on different levels.

First of all, empirical insight will be provided into some of the concepts summarised under the notion of the 'black box of familiness' by exploring family-related drivers of business strategy. More importantly, the research will explain *how* and why these drivers emerge, how they interact, and how they eventually cause specific events to happen and/or stimulate individuals' behaviour and actions throughout the strategic decision-making process. Thus, this study follows a direction towards understanding family firm strategy, which has to date been neglected in the literature by approaching the decision-making process not from a performance- or outcomeoriented view, but from a process perspective, focussing on the interaction of the (family-related) antecedents to family business strategy. This contributes towards a holistic understanding of strategic decision-making in family firms, and thus drives the field forward by offering new perspectives on family firm strategy.

In order to view the strategy process from a micro perspective the author has chosen a case study method, a strategy-as-practice perspective, and a critical realist view of the world. These will be discussed in the following chapter (Chapter 3: Methodology).

CHAPTER 3: RESEARCH METHODOLOGY

3.0 Rationale for methodology

Decision-making constitutes a highly complex social phenomenon, with a variety of uncontrollable factors impinging on the specific decision under examination. Hence, the author has adopted a non-positivistic epistemology and a qualitative methodology, allowing for in-depth study of the social phenomenon under investigation. In management research this approach can take several forms, including grounded theory (Glaser and Strauss, 1967) and the case study method (Yin, 2003). The author has adopted a largely grounded approach and a case study method for the purposes of this research.

Non-positivistic epistemologies have been proven to be beneficial in understanding social phenomena, aiming to "uncover and explicate the ways in which people in particular (work) settings come to understand, account for, [or] take action" (Van Maanen, 1979).

Grounded theorising (Glaser and Strauss, 1967) is an iterative process of qualitative data analysis, in which theory is developed from data analysis, and which subsequently feeds into data collection (Hammersley and Atkinson, 2007). At the heart of grounded theorising is the relationship between data and ideas (Hammersley and Atkinson, 2007). Hence, the researcher may go into the field with a general set of ideas or concepts in order to make sense of the data obtained; the data will then be used to modify the initial concepts. In adopting such an approach, the researcher "must be prepared to go beyond the data to develop ideas that will illuminate them, and this will allow to link ideas with those of others; and [the researcher] must then bring those ideas back to test their fit with further data, and so on" (Hammersley and Atkinson, 2007:159). Grounded theorising fits with the aim of this study as it allows for thorough investigation of the strategic decision-making process in all its complexity.

The author also views himself as part of the lineage of transcendental realism, thus following a critical realist ontology with antecedents in Bhaskar (1975). It is argued that a critical realist perspective allows for an exhaustive explanation of how and why social phenomena occur. A critical realist view suggests that empirical events are formed by underlying structures and mechanisms (Sayer, 1992). The task of the critical realist researcher is to reach beyond the purely empirical understanding of a certain event to a description of what it was in the event that made it possible (Danermark, Ekström, Jakobsen, and Karlsson, 2002). Thus, in order to understand a concrete problem, X, the

researcher goes beyond the empirically observable event, moving from the concrete to the abstract, aiming to uncover the event's underlying mechanisms and their causal power, and then back from the abstract to the concrete to explain what made X possible (Danermark et al., 2002). This particular research looks at strategic decisions in family firms and aims to explain *how* the structures and mechanisms emerging from the family-business setting cause individual events (e.g. sibling conflict, inclusion of non-family members, and family discussions) within the decision-making process to occur.

The research further adopts a strategy-as-practice (SAP) perspective, allowing for observation of the strategic decision-making process from the micro- and macro-levels of social interaction (e.g. Jarzabkowski et al., 2007). As such, the strategy-as-practice view complements the critical realist perspective and the case study method, as both promote the in-depth study of social phenomena, emphasising the micro- and macro-processes of social interaction.

The methodology chapter provides an introduction to the chosen critical realist ontology and epistemology (3.1) and the SAP perspective (3.2), followed by the case study method and the methodological issues resulting from the chosen worldview and perspective (3.3). The author will then introduce the context of the family firm (3.4) and the population and sample size (3.5). This is followed by the case study protocol design (3.6), the data collection procedures (3.7), coding and analysis (3.8) and an overview of how the results are going to be presented in the following chapters (3.9).

3.1 Critical realist ontology and epistemology

The study adopts a critical realist perspective following Bhaskar (1975), Collier (1994), and Archer (1995) to investigate the phenomenon of strategic decision-making in the family firm. A critical realist view assumes a structured and differentiated reality (Bhaskar, 1975) with underlying structures and generative mechanisms operating often invisibly to the human eye. It also recognises that there is no definitive explanation for a social phenomenon, hence encouraging the researcher to look for rival explanations that may challenge the most obvious explanation. In doing this, critical realism stimulates abstract thinking and promotes in-depth investigation of the phenomenon under investigation; that is, going beyond mere empirical assertions and towards the structures and relationships underlying the phenomenon.

The critical realist perspective is underrepresented in management research (Easton, 2010; Nordqvist, 2011). By using a critical realist perspective the author aims to offer an alternative framework for the generation of knowledge in entrepreneurial research, complementing the perspectives offered by economic-based resource-based theory and agency theory, which are prevalent in the research into strategy in family firms (Astrachan, 2010; Chrisman et al., 2005); hence, the author intends to further the development of a more comprehensive theory of strategic decision-making in family firms.

3.1.1 The three depths of reality

Critical realist thinking, according to Bhaskar (1975), is based on the premise that there exist depths to reality, and Bhaskar lays out an 'ontological map' in which he distinguishes between three domains of reality, *the empirical, the actual,* and *the real*. In *the empirical* domain are the things that we experience, such as a muddy lawn after a rainfall, warmth on the skin in the sunshine, or, in the context of the family firm, the physical acquisition of a new machine (getting the machine delivered and handing over the cash). However, looking at everyday notions such as losing or finding something, wondering how the lawn got wet, or being uncertain whether the money for a machine has been transferred already suggest that there is another level of reality, one that is tacitly or explicitly distinguishable from experiences: a level of things and or events that occur without necessarily being experienced, but which can be inferred from their effects. In other words, experiences can be seen as the result of a causal chain of events that happen mostly unobserved or experienced differently by the observer. This causal series of events that lead up to an experienced phenomenon is called *the Actual*. What occurs between *the Empirical* and *the Actual* domains of reality is a process of interpretation. While *the Empirical* is comprised only of observed experiences, *the Actual* consists of unobserved events and experiences. In order to uncover these events and experiences within the level of *the Actual*, one needs to employ "causal criteria at all times, and would never get out of the Empirical if we did not" (Collier, 1994:44): When we find the field muddy in the morning we assume that it has rained during the night, though we didn't actually experience the rainfall. Similarly, if the new machine is delivered, we assume that our payment has gone through, although we haven't actually checked our balance yet, or did not physically hand over the cash. In this sense, a rainfall or a cash-transfer can be seen as possible objects of experience; however,

"their existence is in these cases asserted on causal criteria only, since they are not 'experienced' in the sense of 'perceived'" (Collier, 1994:44).

Critical realists believe that events, in turn, are caused by the powers of things. These powers exist regardless of whether they are causing events or not. In other words, although existent, the power of things may remain unexercised (Bhaskar, 1975). For example, children may have the power to influence their parents' actions (events) by pushing altruistic triggers. We may know that they can influence their parents because they have done so on previous occasions, or because it has been shown in various other situations in similar family settings (existing theory). Due to the children's upbringing (e.g. psychosocial altruism) this power may remain unexercised; however, it still exists. Thus, by gaining knowledge about the structure in which the 'working parts' of the family are organised, that is, for example, the family structure, the strength of relationships, or the family values, we may be able to predict the power of these structures and how it might impact on the specific actions (events).

Collier puts it as follows: "Things have the powers that they do because of their structures, then, and we can investigate the structures that generate the powers, and to an extent predict the powers from structures" (1994:43). Thus, structures cause powers to be exercised if some input is provided, i.e. if a trigger or some 'efficient cause' is given.

The powers that are generated by the structures of entities are called *generative mechanisms*. *Mechanisms* generate *events* (Bhaskar, 1975). Mechanisms may not necessarily be mechanical in the sense of Newtonian mechanics (Collier, 1994); they can be instincts, altruistic behaviours, trust relationships, desires, economic tendencies, laws of nature, etc. In Bhaskar's sense, a *mechanism* is that to which a law refers and "for a law to be true, it must hold when the mechanism it designates works unimpeded – i.e. in a closed system" (Collier, 1994:43). However, closed systems are very rare in the natural sciences, and arguably non-existent in the social sciences. Thus, there can be no final truth, since it is never possible to uncover all the structures and mechanisms impinging on an individual event. Therefore, in open systems, where multiple mechanisms are operating conjointly towards a series of individual or causal events, a law must be useful rather than true. "For a law to be useful, it must contribute to explaining events in open systems in which that mechanism is operating alongside others" (Collier, 1994:43).

The series of events the mechanisms are working towards is called *the Actual*. Mechanisms are just as *real* as events or experiences; however, they may not be *realised*.

Thus, they do not belong in the domains of *the Empirical* or *the Actual*. Mechanisms are in the domain of *the Real*. Bhaskar summarises this as follows:

	Domain of *the Real*	Domain of *the Actual*	Domain of *the Empirical*
Mechanisms	X		
Events	X	X	
Experiences	X	X	X

Table 3.1: Three domains of reality (adapted from Collier, 1994:44)

As can be seen in the table, the domain of *the Empirical* only includes experiences. However, not all events are experienced, thus the domain of *the Actual* includes both experiences and events that remain unexperienced. The domain of *the Real* includes experiences, events, and mechanisms. As a result, research is "to investigate and identify relationships and non-relationships, respectively, between what we experience, what actually happens, and the underlying mechanisms that produce the events in the world" (Danermark et al., 2002:21).

3.1.2 Multiple strata

Mechanisms can be seen as layers of nature (Collier, 1994:46), which Bhaskar refers to as strata; hence, a *stratified* reality means that any phenomenon can be decomposed into smaller and smaller components. This underlpins the idea "that the complexity and a lack of clear cause-and-effect observable at the aggregate level will actually turn out to be an effect of a combination of quite simple and regularity guided circumstances at the individual level" Danermark et al., 2002:59). Thus, the mechanisms that cause events to happen are part of certain layers of reality, which are hierarchically organised, and the mechanisms of higher strata emerge from (a combination of) mechanisms at the underlying levels. Hence, lower level mechanisms can be seen as more basic than higher level ones. Collier puts it this way: "It appears that the material universe existed before there was organic life, and that living organisms can only exist as composed and surrounded by matter. In this sense, matter may be said to be more 'basic' than life; life in turn may be said to be more basic than rationality (in the sense that we are rational animals), and hence than human society and its history." (Collier, 1994:46).

Thus, the existence of multiple strata of reality requires the researcher to 'dig deeper' in order to fully explain the phenomenon of study. In a family firm context, multiple strata could appear as follows:

Event	CEO giving in to childrens' wishes Can be explained by …	Event
Stratum I	Altruistic behaviour of the CEO Can be explained by …	Mechanism 1
Stratum II	CEO's co-dependency on children Can be explained by …	Mechanism 2
Stratum III	CEO's desire to receive love and respect Can be explained by …	Mechanism 3
Stratum IV	Basic function of the family as established in society …	Mechanism 4

Table 3.2: Multiple strata in critical realism

3.1.3 The morphogenetic cycle

In following a critical realist ontology, the author acknowledges the process of social structuring (Archer, 1995) (Figure 3.1). Social structuring is the process by which social systems change based on the interaction of their members. This has been referred to as the morphogenetic cycle (Archer, 1995), which describes "those processes which tend to elaborate or change a system's form, state or structure" (Buckley, 1967:58); 'morpho' acknowledges that society has no pre-set form or preferred state, and 'genetic' implies that it takes its shape from, and is formed by, agents. Archer (1995) suggests that social systems or structures *can* (morphogenesis) but do not *have to be* (morphostasis) changed via interaction of their agents, i.e. they are open systems "due to the fact that they are peopled, and being peopled can always be re-shaped" (Archer, 1995:166).

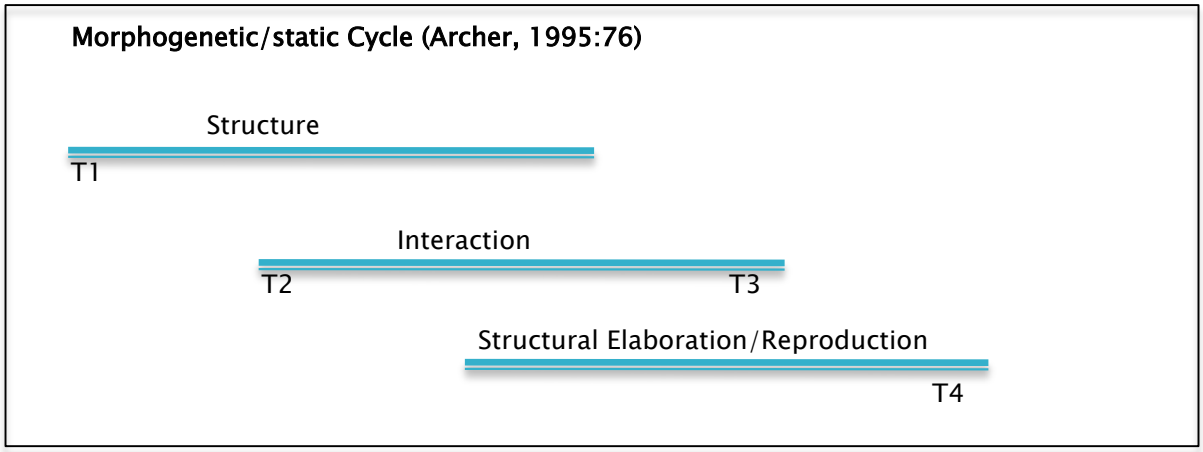


Figure 3.1: The morphogenetic cycle

Family firms are viewed as social systems, which are formed based on underlying structures, including family and firm structures. Those structures may transform or become more elaborate via the process of social interaction, which in this research refers to individual strategic decisions taken by the actors (agents) within the family firm. Agents are regarded as members of the family who have direct (direct involvement in the decision-making (DM) process due to their role within the firm) or indirect (indirect involvement in the DM process due to their role within the family, but no active involvement in the firm) involvement or influence in the strategic decision-making process within the family firm. Each interaction (case or strategic decision) of these actors may transform the structures (of the family or the firm), and therefore ultimately affect subsequent decisions (Figure 3.2).

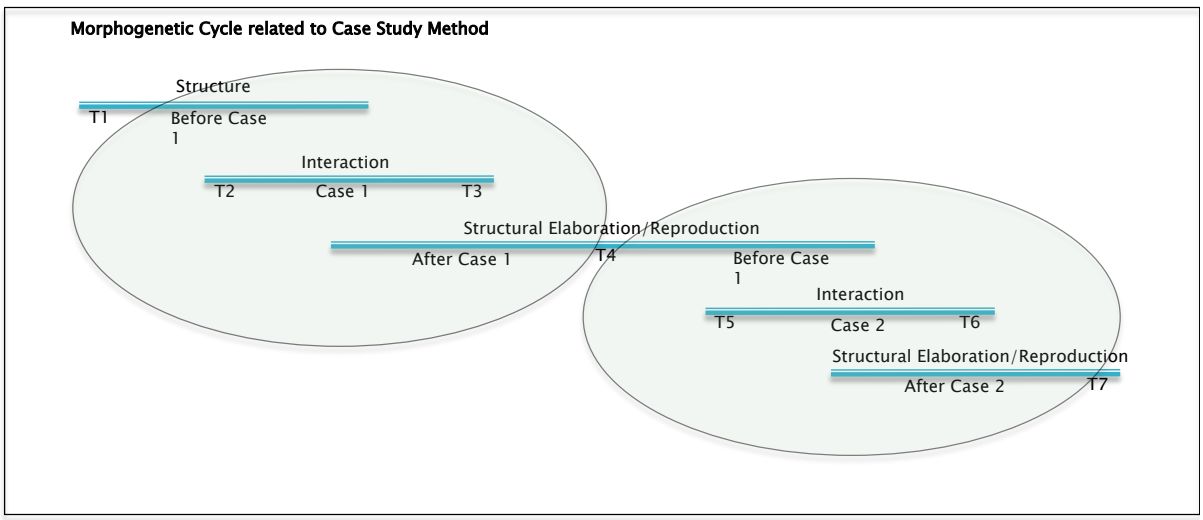


Figure 3.2: The morphogenetic cycle working across subsequent decisions

3.2 Strategy-as-practice perspective

The strategy-as-practice (SAP) perspective has attracted growing interest in the social sciences over recent years (Nordqvist and Melin, 2010; Nordqvist, 2011), with the increased interest in the human and social elements of management strategy (Johnson et al., 2007) focusing on both the micro- and macro-processes of social interaction in strategic planning and strategy execution (Jarzabkowski et al., 2007). Social interaction is closely linked to analytical practices such as strategic planning (Langley, 1989), which is particularly interesting in the context of the family firm, where business and family are closely intertwined (Burke and Greenglass, 1987; Morf, 1989). Family members share similar experiences, values, priorities, and interests (Fletcher, 2002), which are likely to be reflected in the business strategy (Nordqvist and Melin, 2008; Sharma et al., 1997). Further, the formulation of business strategy often takes place as part of the daily social interaction amongst family members, in private family settings and outside actual business surroundings, hence at the micro-level between organisational actors. In such private family settings various actors can be seen as possible strategists (Johnson et al., 2007) or serve as an objective to pursue a particular strategy. In addition, the private environment is thought to promote non-economic or indirect influences such as family values, norms, and interests to be reflected in strategy formulation. In emphasising the role of the family context in strategy formulation by looking at the micro-processes of social interaction, this research is in tune with the objective of strategy-as-practice, to encourage a more human perspective in the field of strategy research (Jarzabkowski et al., 2007). Exploring how individuals attribute value and meaning to the relationships they are engaged in will result in a better understanding of strategic processes (Fletcher, 2002) within the family firm, and shed light on how the family context influences strategic decision-making.

3.3 Case study methodology

The phenomenon being studied usually dictates to a certain degree "the terms of its own dissection and exploration" (Leonard-Barton, 1990:249). This study focuses on *how* and *why* questions about a contemporary set of events (Yin, 2003); that is, it aims to explain how the family context influences strategic decisions in the family firm. Additionally, the process leading to the phenomenon has, to date, not been thoroughly researched, hence a case study methodology is appropriate. While traditionally case studies were considered only valuable for exploratory research (Chetty, 1996), within the past three decades the

case study method has gained increasing respect in testing (Pinfield, 1986; Anderson, 1983) or generating theory (e.g. Gersick, 1988; Harris and Sutton, 1986). When investigating complex social phenomena, the case study is particularly appropriate for the following reasons:

- It investigates the phenomenon within its real life context, in depth, and comprehensively;
- It allows the researcher to tease out and disentangle a complex set of factors and relationships, albeit in one or a small number of instances;
- It can be seen as an iterative process, which allows for constantly moving back and forth between diverse stages of the research process;
- It is highly flexible in terms of data collection, in regard to both method and frequency;
- It allows for multiple levels of analysis, e.g. family and firm (Pettigrew, 1992; Verschuren, 2003; Yin, 2003).

Thus, "case study research can … be defined as a research method that involves the investigation of one or a small number of social entities or situations about which data are collected using multiple sources of data" (Easton, 2010:119), and case study research can develop a holistic explanation for a phenomenon through an iterative research process. The case study method has been shown to be well suited to explaining clearly bounded yet complex phenomena, including organisations, actions, and events.

The case study, due to its intimate connection with empirical reality (Glaser and Strauss, 1967) is ideally suited to exploratory research, that is, in answering *how* and *why* questions – and it is its connection with the data and its flexibility in terms of data collection that are required to disentangle such complex phenomena as strategic decision-making in family firms. With numerous factors and variables impinging on the formulation of strategic action, the researcher is required to gather in-depth data, possibly on more than one instance, and from various sources. As the central aim of this research is to explain strategic decision-making in the family firm – specifically, how the family context influences strategic decisions – a case study method was selected.

In the following section the author will outline why the case study method fits well with the critical realist ontology and the chosen SAP perspective, before elaborating on the issue of generalizability and theoretical development. The researcher will then move on to

the advantages of a multiple case design, methodological issues, and the importance of data triangulation.

3.3.1 Case study method and critical realism

Critical realism is relatively tolerant with respect to different research methods. Specific choices should depend "on the nature of the object of study" (Sayer, 2000:19). Strategic decision-making constitutes a highly complex social phenomenon with a variety of uncontrollable factors impinging on the specific decision under study. The case study method is appropriate for exploratory research such as the study of complex social phenomena (Yin, 2003), as it allows for rich data collection and in-depth investigation of social events, providing a sound method for the researcher to explain *how* social events occur. Gummesson argues that what is needed in research is "not a reduction of complexity but condensation: to make each concept, model and theory progressively denser with knowledge" (2006:170). Thus, the combination of critical realism and the case study method in a largely grounded setting (Glaser and Strauss, 1967) provides an ideal basis from which to examine strategic decision-making in the family firm without reducing the complexity of the phenomenon. In this type of research, the aim is not to reduce complex reality to a small number of controllable variables, but to appreciate the complexity of the phenomenon in its natural context.

Critical realism presumes that it is unlikely to be able to fully reveal and understand any social situation, since observation is always fallible and understanding is limited to the data the researcher is able to collect under the given circumstances. Thus, the researcher is required to collect further information until epistemological closure is reached, and to put forward and distinguish between various possible explanations for social events in order to find the best possible truth. In the case study method, such an iterative process of data collection (Dubois and Gadde, 2002) is possible and desirable.

In order to explain social situations holistically, the critical realist is required to establish plausible mechanisms that cause individual events to occur. The main constraint is the quality of data that can actually be collected in the research context (Easton, 2010). Case study research is relatively open and highly flexible with respect to the data that might be collected (Yin, 2003). Hence, empirical data collection is not limited to semi-structured interviews, but may include additional forms of data and data collection,

including observation, document research, and other secondary sources to triangulate with other evidence.

Furthermore, critical realism encourages the use of theory when postulating causal mechanisms or explanations for individual events (retroduction). The adoption of this process does not imply a strict order of data collection; that is, it does not restrict the researcher to postulating mechanisms and then collecting the data, or vice versa. The case study method allows for both inductive and deductive cycles of data collection, making it highly suitable for the retroductive process, which constitutes the key epistemological process in critical realist analysis.

3.3.2 Case study method and SAP

The SAP perspective focuses on the micro-processes and activities of an organisation, particularly in the case of strategic decision-making processes, where the SAP perspective is valuable as it shows the strategic process as it unfolds (Hendry and Seidl, 2003; Johnson et al., 2007; Nordqvist, 2011; Whittington, 2006). The case study method is pertinent for the analysis of micro-processes as they unfold, as it allows for in-depth investigation of complex social phenomena (Yin, 2003) complemented by different modes of data collection. In other words, the case study method allows the researcher to collect meaningful data on a social phenomenon using a variety of tools such as interviewing, reflection, probing, observing, extended discussion, and triangulation in order to gain a holistic understanding of the situation. The case study method encourages the researcher to look at the micro-level of social interaction and the mutual influences impinging on the phenomenon under examination, allowing for the generation of rich data (Yin, 2003).

3.3.3 Generalisation and theoretical development

The case study as a form of empirical enquiry has faced various criticisms. For example, the method has been criticised for a lack of rigour, allowing equivocal views or biased outcomes (Yin, 2003). However, such criticism can also arise with regard to other methods of research, such as experiments, surveys, and historical research (Gottschalk, 1968; Rosenthal, 1966; Sudman and Blair, 1999), and is not limited to the case study method, as all data and research is subject to interpretivism (Gummesson, 2006). Similarly, as with other research methods, case study research can overcome the problem of potential bias by the use of systematic procedures and rigour.

One of the main issues that case study research faces is the question of generalisation. With its roots in social anthropology and researchers drawing inferences about the general nature of societies and cultures, many of the early research endeavours in case study research were without any consideration of the underlying epistemological bases on which generalisations were made (Mitchell, 1983). Thus, the problem that many case studies face today is whether the epistemological basis for generalisation is provided, i.e. whether one case can be regarded as 'typical' and therefore be considered to be representative of similar cases and subsequently used for theoretical development, and whether the results from a case study are representative of a wider population.

While some believe that due to its usually small sample size case study research provides little scientific ground for generalisation (Tversky and Kahneman, 1986), others argue that when using statistical methods as a counter-measure case studies can be 'generalisable' to a wider social context (Goode and Hatt, 1952). Others pose the question of whether generalisation is actually the most desirable form of enquiry (Guba and Lincoln, 1994). "The short answer is that case studies, like experiments, are generalizable to theoretical propositions and not to populations or universes. In this sense, the case study, like the experiment, does not represent a 'sample', and the investigator's goal is to expand and generalize theories (analytical generalization) and not to enumerate frequencies (statistical generalization)" (Yin, 1989:21). Generalisations from qualitative studies are analytical, not 'sample-to-population' (Firestone, 1993).

This logic does not change with the use of multiple case designs (Miles and Huberman, 1994), as multiple cases aim to generalise from one case to the next on the basis of a match to the underlying theory, not to a larger universe. Furthermore, not all research is guided by the need to generalise to a wider population, particularly when the aim of the research is to build theory (Eisenhardt, 1989b) and to generalise to the particular based on analytical generalisation. The logic of analytical generalisation is summed up by Yin (2003) in the quote above. In multiple case studies, cases are generally chosen on conceptual or theoretical (Glaser and Strauss, 1967) rather than representative grounds. In the family firm context, this might involve the inclusion of firms of different sizes (small, medium, and large firms), ages (first, second, and third generation), or industries, with the researcher aiming to discover similarities amongst them. Nevertheless, using multiple cases enables the researcher to gain confidence that the emerging theory is generic, and thus may be generalised within the specific context (Miles and Huberman, 1994).

Theoretical development from a critical realist perspective

From a critical realist perspective, generalisation is based on the identification of the processes that are "at work under contingent conditions via particular mechanisms" (Easton, 2010:126). The aim of critical realist research is to find the best possible truth, i.e. the explanation of a specific event or phenomenon that offers the most consistent evidence with regard to the processes and interplay between the underlying structures and mechanisms that cause the event to happen. A critical realist view assumes that, due to the complexity of the mechanisms at work and the fact that the absolute truth can never be discovered in full detail, each and every event is unique.

However, "generalisation of any kind is [only possible if] there is some invariance in the world" (Easton, 2010:126). In other words, theories cannot come into effect if there is not at least some consistency in how events are caused; that is, if all events and their causes were substantially unique, theories could not exist (Sayer, 1992). Thus, from a critical realist perspective, theoretical development is based on a phenomenon's invariant (necessary) conditions. These are the more stable structures and mechanisms and necessary relations amongst them that tend to reoccur even if some attributes change. "Structures can therefore be said to be 'invariant under certain transformations', that is, they can continue to exist while their constituents undergo changes in attributes which are not relevant to their reproduction" (Sayer, 1992:94).

Thus, although critical realism suggests that all events are different to some extent, theory can still be developed based on the assumption that there are elements causing the event that are likely to have no or only limited invariance even if other constituents change. These stable elements (e.g. mechanisms) are produced and reproduced by the necessary relationships amongst the event's underlying structures and entities. In the family business context, this would mean specific actions or occurrences (events) within strategic decisions (phenomenon) may repeatedly be influenced by things like altruism or trust (mechanisms) resulting from the close relationships amongst the individual family members (entities and structures). Although the general conditions might be different from one strategic decision to another, the stable family relations (invariant constituents) are likely to influence various decisions in the same or in a similar way. Uncovering these stable or necessary relationships and their powers and liabilities (generative mechanisms) across different events can be regarded as analytic generalisation.

This means that for theory development, one first needs to identify the entities generally concerned with the event or phenomenon under study and the relationships between them. In the family firm context such entities are, for example, the 'family entity' or the 'business entity'. Within these entities relationships can be found. In the family entity there is, for example, the relationship between offspring and parents, or the relationship between husband and wife. In the business entity there is the relationship between the CEO and other members of the TMT, or between the CEO and the business. Some of these relationships are 'necessary' to the context – these are the stable relationships, which tend to occur across similar contexts, such as the relationship between offspring and parents within the family entity. In contrast, some relationships are contingent and may only exist within the context of the individual case, such as a special bond between father and son resulting, for example, from an illness or past event. The identification of both necessary and contingent relationships is crucial in order to explain the specific phenomenon, yet only the necessary relationships are relevant for analytical generalisation, since relationships and their powers and liabilities will reoccur in similar situations. One needs to acknowledge that the type of relationship, necessary or contingent, will depend on the direction of the research, i.e. relationships that are essential for explaining one phenomenon may be contingent for explaining a different phenomenon. For example, whilst for a family venture the relationship between the family and the firm can be regarded as a necessary relationship, in the context of a non-family firm such a relationship (e.g. between the CEO's family and the business) is likely to be a contingent relationship.

Based on the entities, structures, and relationships identified, it is necessary to investigate what generative mechanisms were produced that caused the event to happen. Generative mechanisms are the powers and liabilities emerging from the entities and their relationships. In the family firm context, the relationship between parents and offspring may have caused the parents to act altruistically towards their offspring, resulting in a new strategic direction for the firm. One mechanism responsible for the new strategic direction would therefore be the altruistic behaviour of the parent towards the child. The identification of mechanisms that stem from necessary relationships is the first step in theoretical development, since it can be assumed that the same mechanism will be active in similar events. At this stage, the researcher should also think of other mechanisms that might apply. These could be induced from the data, or deduced from other theories or by means of creative thought (Easton, 2010). Based on the type of relationship, the uncovered

mechanisms either contribute to theoretical development (necessary relationships: the general) or are unique to the specific event (contingent relationships: the specific).

Strategic decision-making in the family business can be regarded as a reoccurring event. Although the general context of the decision is likely to be different for each case, there are expected to be a number of more uniform causal mechanisms that are repeatedly at work in such situations. Thus, the aim of this study is to use multiple cases and to achieve theoretical development via analytic generalisation, i.e. the identification of mechanisms, based on necessary relationships, which reoccur in each of the individual events.

3.3.4 Multiple case study design

Strategic decision-making in general and in the family firm in particular can be regarded as a very common phenomenon. Although some of the variables of each strategic decision will necessarily change, there are certain processes and schemas that are likely to be followed in most of the cases. Thus, strategic decision-making does not constitute a unique phenomenon for which a single-case method would be suited. In contrast, its regular but infrequent character justifies the use of a multiple-case design.

In case study research, the use of multiple cases adds confidence to the findings (Miles and Huberman, 1994). By looking at a range of cases the researcher can spot differences and similarities in the findings, which will increase the robustness of the study and make the evidence more compelling (Herriott and Firestone, 1983).

However, the author is also aware of the trade-off between depth (single-case) and breath (multiple-case). While the single-case study has its strength in highlighting the unique or the unusual, the multiple-case study aims for both replication and analytic generalisation (Yin, 2003). Using replication logic, as with experiments, the replications may either attempt to duplicate the conditions of the original case, and this to predict similar results (literal replication), or to alternate the conditions, so as to predict contrasting results but for predictable reasons (theoretical replication) (Yin, 2003). Both add robustness and confidence to the emerging theory and make it more generic, since it has been 'tested' in various situations, in different contexts, or under various conditions (Miles and Huberman, 1994). More importantly, for this study replication logic allowed for the development of "a rich theoretical framework" (Yin, 1994:46), explaining *how* the family

context influences strategic decision-making processes across various types of family firms.

A key decision in multiple-case designs is the number of cases to research (Miles and Huberman, 1994). Yin argues that the 'ideal' number of cases is, in the main, based on the judgement of the researcher (Yin, 2003), but should be considered with regard to the complexity of the phenomenon, the richness of the data, and theoretical development (Miles and Huberman, 1994). In general, there seems to be a consensus that 20 cases is the maximum required, and between two and ten is often thought adequate (Perks, 2003). Due to the complex nature of the strategic decision-making process in family businesses, with both the family context and the business context impinging on the strategic decision, the author has chosen 13 cases across seven family firms, which seem to provide an appropriate and sufficient basis for potential theoretical development.

3.3.5 Reproducibility and replication

Using a multiple-case design, the author is aware of the possible pitfalls of the terms *reproducibility* and *replication*. According to the terms' more positivistic connotation, such as scientific experiments, if a study can be replicated by reproducing the original results in succeeding studies, the subsequent findings are also credible (Strauss and Corbin, 1998). Replication in this sense, however, is difficult in the social sciences. Social phenomena usually take place in open systems, and when dealing with such it is difficult – and in most cases impossible – to "re-create all of the original conditions and control all of the extraneous variables that may impinge upon the social/psychological phenomenon under investigation" (Strauss and Corbin, 1990:250).

However, in the case of qualitative research, replication is possible if subsequent studies following the same theoretical perspective and general rules for data collection and analysis, as well as a similar set of conditions within the contextual boundaries of the original case, would lead a researcher to derive the same theoretical explanation of the given phenomenon (Strauss and Corbin, 1998). This study can therefore be described as replicable within the boundaries outlined, and therefore the theory advanced in this study may be furthered through future work by other researchers.

3.3.6 Methodological issues in the use of case studies

Case studies have long been criticised for a lack of rigour, sloppy research design following no systematic procedures, or biased views leading to biased findings and conclusions (Yin, 2003). However, there exists a strong tradition of case study research as a basis for theoretical development (e.g. Glaser & Strauss, 1967; Yin, 2003; Miles and Huberman, 1984; Eisenhardt, 1989b). Eisenhardt (1989b), for example, points to Pettigrew's (1988) study of competitiveness and strategic change within major UK corporations, or Mintzberg and Waters' (1982) study of Steinberg's grocery empire. More recently, the case study approach has gained increasing acceptance in the social sciences and has shown to be a worthwhile method (Perren and Ram, 2004) for theory generation under consideration of the methodological challenges (see for example Yin, 2003).

(1) Construct validity

Construct validity concerns the use of the correct operational measures for the phenomenon being studied. In this research, the issue of construct validity has been tackled using multiple sources of evidence in order to examine the specific phenomenon under study. These sources include interviews with multiple respondents, both from within and partly from outside the companies, publicly available data on the company, internal documents, and observations. Thus, in line with Yin (2003), a chain of evidence was established and summarised in a number of memos relating to the strategic decision and particular sub-events.

(2) Internal validity

Internal validity refers to the issue of whether the causal explanations and inferences established by the researcher are correct under the consideration of possible rival explanations (Yin, 2003). In order to ensure internal validity in this study, two main tactics have been used: *pattern matching* (Trochim, 1989) through the use of multiple cases and existing theory, and *explanation building addressing rival explanations* (Yin, 2003). The latter lies at the heart of an analysis based on critical realist ontology, in which the retroductive process involves the development of rival explanations and the collection of

additional data until epistemological closure is reached (e.g. Danermark et al., 2002) in order to establish the best possible truth.

(3) External validity

External validity concerns the extent to which the findings can be generalised. The author does not aim for statistical generalisation as used in survey research, but strives to generalise the particular phenomenon with the context of the selected cases (analytical generalisation) (Yin, 2003). Analytical generalisation within the specific context is achieved by cross-case analysis and the identification of matching patterns across the sample.

(4) Reliability

Demonstrating that the steps of the study can be repeated and will eventually produce the same results is central to establishing reliability. To aid reliability in this study, a clear paper trail was established and a case-study database developed. For future researchers this does not guarantee 'equal results', since the results obtained rely on the researcher's individual interpretation of the data, but the collection of data until the point of epistemological closure aims to ensure similar results.

3.4 The family firm research context

3.4.1 Defining the context: Working definition of the family firm

This study aims to explain how the family context influences strategic decisions in the family firm. Thus, a particular strategic decision constitutes an individual case. The family business as such provides the context for the research. As discussed earlier (see Chapter 2) there is no single accepted definition of the family firm. However, the author identified a number of variables allowing the comparison of different types of family firms if clearly defined. These variables are: (1) size; (2) age; (3) ownership; and (4) management of the family business. For the purposes of the research the author defines the sample based on these criteria.

(1) Size of the family firm

A clear definition of company size is particularly relevant for the purposes of this study, since decision-making processes and patterns are expected to be sensitive to firm size due to, for example, the availability of internal resources, such as management and financing (Lindqvist, 1997). Further, with the increasing size of the business, management structures are likely to change towards a higher level of formalisation and more standardised procedures in strategic decision-making, possibly resulting in less family involvement in strategic action (Corbetta and Salvato, 2004).

In order to achieve a clear distinction within the results and the possibility for cross-comparison, the author follows the definition provided by the European Commission[2] for enterprises in general, with an explicit focus on the number of employees (Table 3.3):

Company Category	Number of Employees	Or Turnover	Or Balance Sheet Total
Micro	< 10	< EUR 2m	< EUR 2m
Small	< 50	< EUR 10m	< EUR 10m
Medium	< 250	< EUR 50m	< EUR 43m
Large	> 250	> EUR 50m	> EUR 43m

Table 3.3: Categorisation of family firms (as defined by the European Commission)

This definition is the most commonly used measure within the EU, and the sample in this study includes small, medium, and large family firms based on the number of employees. The reason for focusing on the number of employees rather than on turnover or the balance sheet total lies in the availability of data. In Germany, most family firms are private companies, meaning that financial figures are generally not published. Employee numbers, however, can be found on most of the companies' websites. A number of micro-firms were also considered for inclusion in the sample. However, within the chosen geographical region, no micro-firms could be identified that fulfilled the management and age criteria.

[2] European Commission – Enterprise and Industry (2009). Small and medium-sized enterprises: What is an SME?

(2) Age of the family firm

In terms of age, the author has chosen to examine only family businesses that have been in existence for more than one generation. This ensures the direct or indirect involvement of more than one generation of the family in business matters (Salvato and Melin, 2008), as well as a general cross-generational interest in the family firm. It is also assumed that in family businesses that have already passed the first generation there is an increased anticipation within the family to pass the business on to future generations (Kelly, Athanassiou, and Crittenden, 2000). Further, choosing family businesses in existence for more than one generation ensures a relevant degree of involvement of family members in strategic matters of the family firm, providing a fruitful avenue for exploring family influences on strategic decision-making.

(3 and 4) Ownership and management

The selection criteria of firms for this study also considered ownership and management of the family venture. The firms chosen for the sample are private companies in which one family controls the most shares or votes (significant family ownership), and is represented with a minimum of two family members in key management positions (significant family involvement in management) (Miller and Le Breton-Miller, 2005). This ensures a clear distinction from family firms run by a lone founder or owner. Such lone founder-managed firms are not likely to be subject to increased family involvement, but rather can be seen as entrepreneurial ventures (Sirmon et al., 2008). Further, these selection criteria rule out publicly-owned and -managed firms, which are unlikely to be subject to major family influences.

This working definition of family firms can be summarised according to the criteria outlined in Table 3.4:

Criteria	Definition for the purpose of the study
1. Size	Small, Medium, and Large firms (as per the definition of the European Commission)
2. Age	> 2nd Generation
3. Ownership	Significant family ownership (> 50%)

4. Management	Significant family management (family members control > 50% of votes)

Table 3.4: Defining the family business

The firms selected in accordance with these criteria provide the context for this study. From each of the firms, two strategic decisions have been selected. Each strategic decision constitutes an individual case, which will be discussed under the next heading.

3.4.2 Defining the cases: Working definition of strategic decisions

A case in this study is defined as a present or past strategic decision taken within a family firm meeting the criteria of selection for the study. Strategic decisions can be defined as decisions that are "important in terms of the actions taken, the resources committed, or the precedents set" (Mintzberg, Raisinghani, and Theoret, 1976:246). For the strategic decision to qualify as a case it needs to fulfil a number of criteria discussed below.

Substantial resource involvement

Firstly, the decision needs to involve a substantial amount of human and financial resources and have a significant impact on the family firm's present or future strategy (Dutton, Fahey, and Narayanan, 1983). The large-scale nature of the decision ensures the active engagement of all members of the family business' TMT, as well as the possible recognition of the strategic decision amongst members of the family not in key management positions or not actively engaged in the business or the management of the venture. This ensures the involvement of a number of respondents from both the family and the firm to aid representativeness of the results (Chua, Chrisman, and Sharma, 1999), and allows for extensive within-case analysis (Eisenhardt, 1989).

Decision taken within the past five years

Secondly, past decisions should not be older than five years because retrospective analysis carries the danger that the cause and effect of the reconstructed events may be blurred (Leonard-Barton, 1990). The choice of recent decisions minimises post-hoc rationalisation (Chia, 1994) of the actors or respondents involved in the decision-making process. It also

increases the likelihood that all current family member managers were directly or indirectly involved in the decision, which may not be the case for decisions taken much further in the past. Two strategic decisions were selected within each firm. At the time of research an outcome of the second strategic decision did not necessarily have to be present yet, since the research focuses on the process of strategic decision-making rather than the outcome of strategic action. However, the outcome of the first decision may influence the individuals' behaviour within the second strategic decision due to structural elaboration (Archer, 1995). Table 3.5 summarises the selection criteria for strategic decisions.

Criteria	Purpose
1. Substantial resource involvement	Involvement of all/most family members
2. Present or recent strategic decision	Minimises post-hoc rationalisation

Table 3.5: Selection criteria for cases

The two strategic decisions were selected in the first interview with the CEO. During the course of the first interview the CEO was asked to elaborate on the firm's milestones. The researcher explained to the respondent that milestones were strategic decisions that substantially influenced the strategic course of the company leading it to the point where it was at the time of the interview. In order to obtain the respondents understanding the researcher gave three examples, including the takeover of a competitor, the introduction of a new product line, or a substantial change in the company's management structure that altered the course of the company's future strategy. The respondent was then asked to give an example of such a decision. This helped the researcher to identify whether the respondent's understanding of a strategic decision as defined for the purpose of this study had been obtained. The respondent was then asked to provide an overview of the company's milestones and to elaborate on the last few milestones in more depth, particularly in regard to the involvement of human and financial resources, risk, and the influence of the strategic decisions on the firm's strategic direction. This enabled the researcher to get an indication of the importance of the strategic decisions and to judge whether those would fit the criteria for selection. Two of these decisions were then selected by the researcher together with the respondent and discussed extensively. The two decisions selected in the initial interview with the CEO served as the basis for subsequent interviews with other TMT and family members.

3.4.3 Criteria for sample selection

The selection of firms was based on the working definition of the family firm outlined in Table 3.4. In order to minimise potential biases in the data collection and to provide a sound basis for triangulation, the author set the following criteria for the selection of the sample (Table 3.6) within the defined boundaries provided by the working definition of the family firm:

(1) There needs to be access to a minimum of two family members actively engaged in the top management team of the firm
(2) If possible, there should be access to respondents from multiple generations, and
(3) If possible, there should be access to additional family members not actively engaged in the business.

Table 3.6: Criteria for sample selection

(1) Access to a minimum of two family members actively involved in the business

Based on the working definition of the family firm, the family firm had to be owner-managed and the firm's top management team had to comprise a minimum of two family members in order to ensure the presence of family influences on business strategy. Within each of the seven family firms selected for the sample, two or more family members actively involved in business activity were interviewed (Table 3.7). In five of the seven firms all members of the firm's TMT were interviewed in order gain different perspectives from all individuals directly responsible in the family firm's strategic decision-making process. Access to a minimum of two family members actively involved in the business aided construct validity by ensuring a certain degree of triangulation of the data obtained and therefore minimised the potential risks related to using only a single source of data (see for example Yin, 2003). In entrepreneurial ventures such risks may include attribution bias (see for example Fiske and Taylor, 1991) where individuals attempt to internalise success and externalise failure (De Tienne, Shepherd, and De Castro, 2008), retrospective bias (see for example Aaker and Day, 1986), or self-reporting (Sandberg and Hofer, 1987).

(2) Respondents from multiple generations

Social structures impacting on decision-making processes in family firms often develop over generations. Thus, the working definition of the family firm states that the family firms selected needed to be in at least its second generation. In order to obtain a more holistic picture of how these social family structures and mechanisms operate underneath the surface of the visible decision-making process, the author aimed to interview family members from different generations. Multiple generations could be interviewed in four of the seven firms comprising the sample (Table 3.7). This further minimised the potential risk of the biases outlined above.

(3) Additional family members not actively engaged in the business

The aim of the study is to explain how the family context influences strategic decisions in the family firm. In order to gain a better understanding of how the family context impacts on the family firm and vice versa, the author aimed to gain access to additional family members not actively engaged in the business. Such access could be obtained in four out of the seven firms selected (Table 3.7). The increased number of respondents ensured further triangulation of the data obtained.

Firm	(1) Minimum of two FMs on TMT interviewed	(2) Multiple generations interviewed	(3) Additional FMs interviewed	# of initial interviews	# of follow-up interviews	Use of additional data sources for triangulation
1	✔	✔	✔	4	2	✔
2	✔	✔	✔	3	1	✔
3	✔			2	1	✔
4	✔			2	1	✔
5	✔	✔	✔	2	1	✔
6	✔			2	-	✔
7	✔	✔	✔	4	2	✔

Table 3.7: Interviews and triangulation

3.4.4 Data triangulation

The author used various data sources in parallel with the interview data (minimum of two interviewees per firm) to support and add value to the knowledge of the organisation, the managing family, and the individual cases. Some of the data used for triangulation was publicly available, including published company reports, information available from the company website, newspapers, and other readings. Further information was provided directly by most of the companies, including strategy documents and reports not publicly available – as most of the companies are private companies – as well as catalogues and product information, books with reference to the particular firms, and press cuttings. The evidence obtained was used to minimise the issue of post-hoc rationalisation or 'mistaken' memories on the part of the interviewees (Perks, 2003). Finally, in six out of the seven firms telephone calls and follow-up face-to-face interviews were used to clarify data (Table 3.7).

3.4.5 Language

Since all the firms are located in Germany, the respondents were given the opportunity to communicate in either English or German. All respondents chose to conduct the interviews in their native language. With the author being a native speaker of German, the respondents' choice to speak in their mother tongue was beneficial, as meaning might be lost when communicating in a different tongue. In addition, neither the interviewer nor the respondent faced the risk of losing key information due to possible misunderstandings or misinterpretations in using a foreign language.

Language is closely linked to culture, and shapes the individual and collective perception of the world of those who speak the same language (Kumar and Usunier, 2001). Language may also define a social group and provide a barrier to those who speak a different language (Glenn and Glenn 1981). This might apply to both national languages and regional dialects, which was noted during the data collection in this study. At the beginning of the interviews both the respondents and the researcher started to communicate while suppressing the regional dialect, as is generally the case between strangers within the local region. Only when both the researcher and the respondent fell into the regional dialect did respondents begin to open up, often revealing sensitive emotions and personal information.

3.4.6 Translation

The downside of conducting all the interviews in German was that the transcripts had to be translated into English afterwards. This included the potential risk of a loss of meaning, particularly when there is no direct English equivalent to a German word or term (see Glenn and Glenn, 1981). In order to reduce this risk, only one professional translator was used to ensure consistency in the translations. Further, back translation from English to German was conducted for two interviews to ensure that all meaning had been conveyed in the English translation, and no issues were found.

3.4.7 Negotiating access

Family firms can be regarded as a very close-knit community where research access is often restricted. The processes and behaviours represented in the family business can be regarded as a reflection of the norms and belief systems of the family itself. The potential risk of facing criticism of their business processes may be regarded as an affront to the family's values and belief system. Thus, family firm managers may be averse to the prospect of giving access to the heart of a firm's operations and opening themselves up to possible scrutiny by 'externals'. Thus, the family firm can be regarded as both a 'closed' and 'private' setting, where a gatekeeper generally controls access (Hornsby-Smith, 1993). In the case of the family firm, the gatekeeper is the CEO, who not only serves as the leader of the firm, but also as a leader and protector of the family clan.

It was found in this study that gaining access to the CEO was, in most cases, relatively straightforward. However, gaining access to other members of the family proved to be more of a challenge, particularly if those members were not actively involved in the business. In many cases it is less about the nature of the research that enables a researcher to gain access, and more about the researcher's ability to establish a bond of trust with the gatekeeper within a short period of time (Hammersley and Atkinson, 2007). Despite these difficulties, access to all members of the TMT was gained in all cases. However, members of the family not directly involved in the business could only be accessed in three of the seven firms.

3.5 Case study protocol design

The interview questions reflected the actual line of enquiry (Yin, 2003), that is, the examination and theoretical development of strategic decision-making processes in the family firm. The questions served as reminders and prompts for discussion and were used flexibly, depending on and adaptable to the individual discussion, rather than a precisely following a fixed procedure.

In this sense, the questions were open-ended and designed to stimulate discussion about the respondent's first contact with their company, the history of the company, general procedures and role distribution in decision-making, the importance and meaning of the family in general and in relation to the business and vice versa. From these discussions clues towards decision-making structures were picked up, and the questioning was adapted to accommodate the specific approach taken by each family firm towards their strategic decision-making.

In formulating the questions the researcher drew on previous experience in the field of family firms as well as extensive literature from previous studies (Miles and Huberman, 1994).

Although the author followed an inductive approach in general, theory building relies on a general understanding of the subject matter and a few general or guiding constructs that "subsume the mountain of particulars" (Miles and Huberman, 1994:18). These guiding constructs will inform and help develop a conceptual framework, which forces the researcher to be selective when going into the field and being confronted with potential masses of data. In this study, the development of a conceptual framework also aided the researcher in selecting the prompts for the interviews conducted. However, the author was aware that prior knowledge and concepts bear the risk of imposing a preconceived framework and set of concepts on the respondent (Strauss and Corbin, 1998), which would act counterproductively on the strength of qualitative research in discovering new approaches and concepts based on the respondents' actual experiences (Glaser and Strauss, 1967; Miles and Huberman, 1994). Therefore, the author was conscious of the need to give the respondents freedom in their answers and to avoid the use of leading questions, or attempting to prompt responses that would 'fit' the conceptual framework established prior to the field research (Perks, 2003). The use of free flowing, open-ended questions allowed the respondents to elaborate on their experiences, whether these corresponded with the researcher's pre-developed conceptual constructs or not.

3.6 Data collection

3.6.1 Timing

Empirical data was collected over the course of two years between April 2010 and March 2012. Following replication logic (Yin, 2003), data was usually collected from one firm before data collection began in the next company. However, in the firms where more in-depth access was provided, multiple visits to the company were arranged over the course of several months. Visits to the companies were generally supplemented with tours around the respondents' facilities. These tours usually took place before the interviews started and therefore provided a good starting point for discussion.

3.6.2 Interviews

The main method of data collection was semi-structured face-to-face interviews and a number of follow up face-to-face or telephone interviews. Given the critical realist approach and the complexity of the phenomenon under study, the use of semi-structured in-depth interviews to probe the respondents' answers was deemed appropriate (Healy and Perry, 2000). Interviews varied between 30 minutes and 90 minutes in length and were conducted with members of the TMT as well as with additional family members directly or indirectly involved in the business (e.g. partners, siblings, senior members). Within each firm, initial interviews were held with the CEO (Appendix VIII) in order to identify two major strategic decisions (cases), which then served as a basis for subsequent interviews. The interview data was collected using a combination of audio recording and note-taking. Basic notes were taken during the course of the interview and supplemented by more extensive notes written up directly after the interview (Miles and Huberman, 1994). Audio recordings were also transcribed shortly after the interviews by the interviewer, which served as a first step of analysis.

3.6.3 Additional data

Annual reports, catalogues, internal documents, books, and online resources were collected to complement and triangulate the data retrieved through the interviews (Strauss and

Corbin, 1998). These data were partly supplied by the respondents, and partly retrieved from publicly available sources. Publicly available data were largely collected prior to the interviews to help stimulate the discussion.

3.7 Data coding and analysis

In following a critical realist approach the author acknowledges a depth to reality, with the empirical, the actual, and the real domains of reality, and is therefore concerned with a movement from the level of experiences (empirical domain) to the level of events (actual domain) to the level of structures and mechanisms (real domain). This movement is called transcendental argumentation and implies working backwards, hence postulating and identifying the causal mechanisms and structures that generated the events, which in turn caused the experienced and visible phenomena.

In general, the difference between the empirical and the actual domain is a process of interpretation that takes place between the two (Easton, 2010): events can thereby be seen as a more generalised causal description of what has been individually experienced and mentioned by the respondents, based on the researcher's interpretation of the sum of data collected. The difference between the actual and the real domain is the level of abstraction. This is based on the critical realist's presumption that there are underlying powers and mechanisms at work generating individual events. These are to be found in the real domain of reality, and generally transcend what is visible to the human eye.

In order to explain how the family context influences strategic decisions in the family firm, the author followed a nine-step process (Figure 3.3).

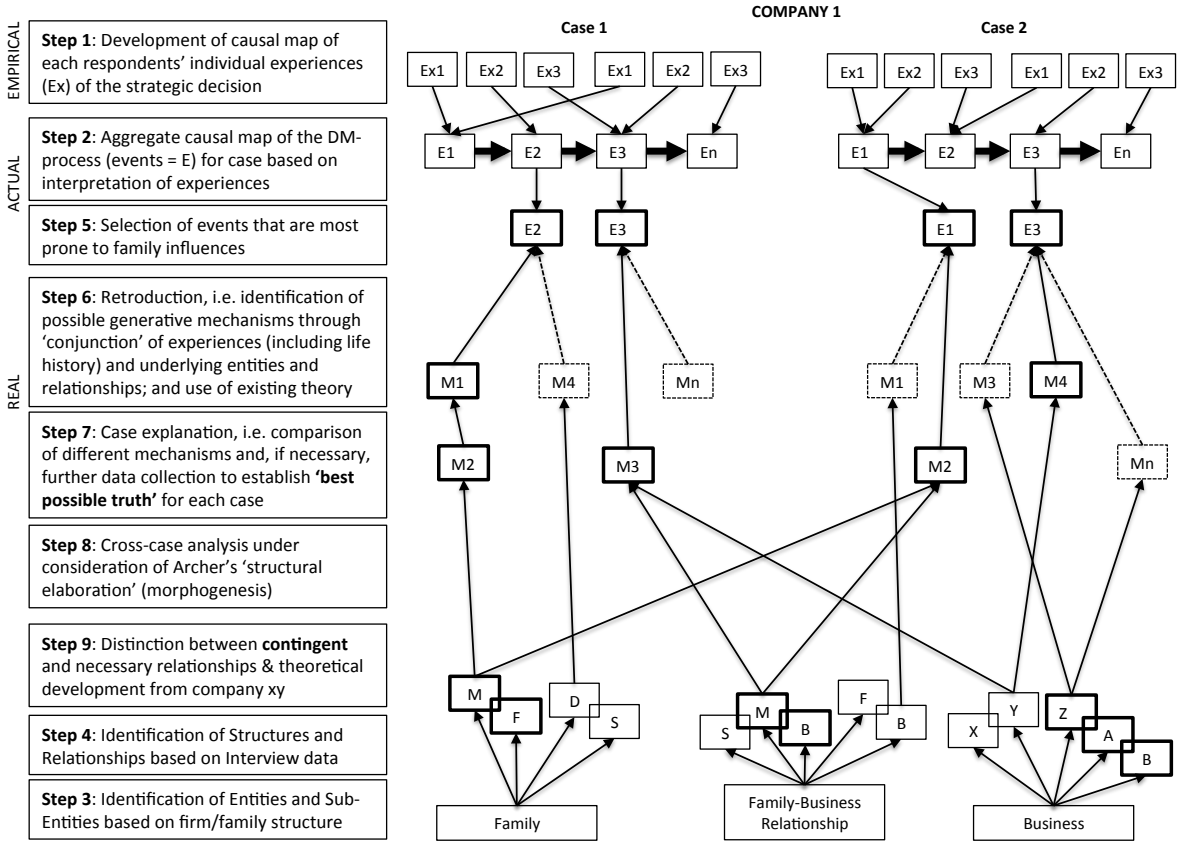


Figure 3.3: Nine-step model for theoretical development

3.7.1 Establishing the experiences in the empirical domain

Step 1 – the Empirical: Having collected the empirical data mainly via the means of in-depth interviews, the interviews were transcribed and translated into English. The data were put into NVivo 8 and the free-node function was used to code and structure the individuals' responses to the strategic decision. Based on the respondents' experiences, individual causal maps were developed, using tree nodes, describing how each individual respondent experienced the strategic decision-making process. Thus, in mapping out the respondents' individual experiences of the strategic decision-making process, the author was able to gain an in-depth understanding of each respondent's personal involvement in the process as well as the aspects the individuals perceived as being important to them. Since the respondents had different responsibilities within the firm their individual explanations of the process varied, not only in terms of focus (individual tasks) but also in terms of the general perception of the overall strategic decision. These individual causal maps represent experiences in the empirical domain of reality.

3.7.2 Establishing the events in the actual domain

Step 2 – the Actual: Based on the interpretation of the individual family members' experiences, a causal map was produced organising the strategic decision-making process according to its main events in causal order. These events are in the actual domain of reality; that is, they describe the process as it happened, similar to a bird's-eye perspective, in which the specific experiences of the respondents (individual/narrow perspectives or ground views) are put into a wider perspective or context, interpreted and formed into a more comprehensive overall picture. Unlike the respondents, the researcher enjoys the advantage of approaching the case from a neutral perspective and without any predefined views, either about the respondents or the strategic decisions. Thus, the difference between the experiences in the empirical domain and the events in the actual domain can be seen as a step of interpretation.

3.7.3 Defining entities, sub-entities and relationships

Step 3 – defining entities: Having established the events in the actual domain of reality, thus gaining insight into the decision-making structures, processes, and individuals' responsibilities in the decision-making process, the entities were identified. Entities are crucial to critical realist analysis, since entities have relationships, powers, and liabilities, which, if leveraged, enable the mechanisms that cause events to happen. For example, the family can be seen as an entity important to the family firm context. The family entity contains sub-entities, including the individual family members. These family members have certain relationships between themselves, such as husband and wife, parents and children, and brother and sister. From these relationships, powers and liabilities may emerge, including trust, shared values, and shared identity – if leveraged, these powers and liabilities may turn into mechanisms causing certain events to happen. For example, if a husband and wife have a strong trust relationship the husband may reconsider risky decisions in the family business, since such decisions may harm the welfare of the family and, in particular, that of his wife.

Since the purpose of this study is to explain how the family context influences strategic decisions in the family firm, three entities have been considered as being of major importance, namely: (a) the family; (b) the business; and (c) the family/business relationship.

Step 4 – defining sub-entities and their relationships: Based on the data gathered from the respondents, the sub-entities and their relationships were identified and listed as tree-nodes in NVivo. Interview data were linked to these sub-entities and their relationships, indicating the existence of these relationships, their powers and liabilities. Reference was made to the guiding constructs identified in Chapter 6.

3.7.4 Analytical resolution

Step 5 – Selection of events: Strategic decision-making constitutes a highly complex phenomenon, which is reflected by the scale of the aggregate causal map. Since it is neither possible nor advisable to study every aspect of the process and all its different components, the author applied the concept of analytical resolution (Danermark et al., 2002) by "dissolving the composite and complex by distinguishing between the various components, aspects or dimensions" (2002:109). The selection of specific events for each case is based on the aim of the study, which is to explain how the family context impacts on the strategic decision-making process in the family firm. Hence, in order to explain family impact, events need to be accessible to family influences. For example, 'customer complaints' (Event X) would not be used for further examination (i.e. the examination of the mechanisms that caused Event X to happen), whereas 'family discussions' (Event Y) resulting from Event X would be further examined. Similarly, 'investor approaching the family firm' would not be examined, since there is no family influence, whereas 'CEO being excited' in response to the offer would call for further examination, i.e. what mechanisms were triggered that caused to CEO to be excited (e.g. pride, self-esteem, family welfare, fulfilment of role as nurturer, legacy, etc.).

3.7.5 Establishing structures and causal mechanisms in the real domain

Step 6 – the Real, identification of generative mechanisms: The difference between the experience level and the event level is a form of interpretation, and the difference between the event level and the structures and mechanisms level is a form of abstraction. Experiences are visible to both the respondents and the researcher, while events can be visible but can often be regarded as a more holistic or general picture of individual experiences based on the researcher's interpretation. Structures and mechanisms, in

contrast, are more abstract things, usually not visible to the human eye – things that cause events to happen. Structures and mechanisms are causal explanations and laws that underlie individual events, or as Bhaskar puts it, they are "nothing other than the ways of acting of things" (1978:14) and when activated, they cause events to occur. Mechanisms are the cause for events to happen. Therefore, "the same mechanism may sometimes produce different events, and conversely the same type of event may have different causes" (Sayer, 1992:116). Uncovering the underlying structures and mechanisms that have generated an event is central to critical realist analysis and requires a specific kind of logical inference.

Instead of following an inductive or deductive mode of data analysis, critical realists rely on retroduction. Induction and deduction are concerned with movements at the event level from the particular to the general and vice versa (Lawson, 1997). Retroduction, on the other hand, "involves moving from a conception of some phenomenon of interest to a conception of a different kind of thing [power, mechanism] that could have generated the given phenomenon" (Lawson, 1997:236). Thus, retroduction refers to the characteristic aspect of "working backwards" (Emery and Emery, 1997).

In following a retroductive logic, the starting point are the events in the actual domain. These are the events that are discovered via empirical observation, description and interpretation of the respondents' experiences. Having established the individual events, the aim is to find causal explanations for why a particular event has been generated by asking 'what caused X Event to happen?'. This is achieved through the "conjunction" (Bhaskar, 1975:57) of events, the underlying entities and their relationships, and the respondents' experiences. More specifically, a "critical examination" (Guba and Lincoln, 1994:10) of these events is made, in conjunction with the entities and their relationships, in order to explore the underlying causal laws or mechanisms that caused the events to happen, that is the powers and liabilities exercised by the entities and their relationships. Based on the respondents' experiences, their relationships, and the researcher's understanding and interpretation of the individual situation, causal mechanisms are postulated, that is, various possible explanations are offered for each of the individual events. Thereby theory is used, where applicable, as a tool to give meaning to experiences and to provide reference points for learning (Gustavsen, 1996). For example, via the interpretation of the respondents' experiences it can be shown that the father has given in to the desires of his adamant offspring in Event Z. In order to explain Event Z, various explanations can be put forward, such as altruistic behaviour, co-dependency between the

father and child, the father's love for his children, the father's desire to enable his children's succession, the father's desire to test his children, cognitive trust in the children's actions, etc.

A critical realist worldview assumes that below the surface of events, reality contains not just one level of mechanism (Bhaskar, 1975), but different hierarchically organised strata; hence, the world is not only differentiated and structured, but also stratified. This means that some mechanisms may precede other mechanisms and lead to their existence, or, in critical realist terms, their *emergence*. For example, a specific event may have been caused by altruistic behaviour (Stratum I); altruistic behaviour in turn may have emerged from co-dependence between parent and offspring (Stratum II), which in turn may have emerged from a desire for love and care (Stratum III), which in turn derives from family values and belief systems (Stratum IV). Thus, by uncovering and stratifying the mechanisms with the greatest explanatory power, the researcher is able to reduce complex events to clear cause-and-effect connections that are not observable at the aggregate level.

Step 7 – Discussion of explanations: However, not all explanations have the same explanatory power, which is why it is a crucial step in critical realist analysis to compare between different theories and abstractions. This might be based on discussions with colleagues, or, more importantly, on the collection of further data (e.g. additional interviews, secondary sources, observations, etc.) until epistemological closure is reached. In this way, the researcher derives a number of hypothetical explanations for the phenomenon that are meaningful and provide the best possible explanation in the particular case.

It needs to be stressed here that the researcher believes that his knowledge of the social world, which exists independently of the researcher's perception of it, is "fallible and theory laden" (Sayer, 1992:5). The researcher's explanations of the social phenomenon offer the best possible truth based on his existing knowledge of this world; however, these explanations are always open for revision should further knowledge be discovered.

3.7.6 Cross-case within-firm analysis

Step 8 – Cross-case analysis: Once the 'best possible truth' had been established by identifying the generative mechanisms with the greatest explanatory power for the

particular event, cross-case (within-firm) analysis was conducted under consideration of Archer's (1995) morphogenetic process. This means that the two cases examined within one family firm are viewed as a stream of decision-making, with the social interaction of the first case, under consideration of other historical events, potentially affecting events in the second case. For example, emotional trust might have been strengthened by the particular events of Case 1, leading to emotional trust having an even stronger influence in Case 2. That is, social structures are elaborated or transformed through social interaction. From this cross-case (within-firm) analysis, frameworks are developed that explain the decision-making process within a particular firm, which will later serve as basis for comparison across firms.

3.7.7 Theoretical development

Step 9 – Distinction between contingent and necessary relationships: The research aims for analytic generalisation. In order to achieve this, the next step is to distinguish between contingent and necessary conditions. While mechanisms enabled by necessary conditions or relationships can be generalised to similar cases, mechanisms based on contingent conditions are usually specific to the individual case (Danermark et al., 2002). For example, the trust relationship between husband and wife can be seen as a necessary condition as it is a foundation of the institution of marriage. Hence, mechanisms based on this relationship may occur in similar cases or instances. However, if the wife had a serious health condition at the time of the decision, the relationship between husband and wife may have been different (stronger or weaker) at this specific point in time, which may have led to a different outcome – thus, the health of the wife can be seen as a contingent condition, which may explain the outcome of the particular case, but which may not be generalisable to similar strategic decisions in other family firms.

Based on the type of relationship (necessary or contingent), explanations may aid theoretical development (necessary relationships) or be specific to the individual case (contingent relationships). Thus, theory is developed from the interplay of generative mechanisms that emerge from necessary relationships.

3.8 Presentation of results

The results are presented in Chapter 6. The findings are presented on a case-by-case basis, followed by a cross-case comparison of the results, leading to the development of a theoretical framework explaining how the family context influences strategic decisions in family firms under consideration of the age and size of the family firm. More specifically, tables are presented for each case that indicate the causal map of events and a summary of the possible generative mechanisms explaining the selected events. Based on these tables and the identification of the best possible truth, frameworks are presented for each case including mechanisms resulting from both necessary and contingent relationships. These are then narrowed down by cross-case analysis and distinguishing between necessary and contingent relationships, deriving a framework highlighting the generative mechanisms based on necessary relationships, which are subsequently used for cross-case/firm comparison and the development of a theoretical framework explaining the decision-making process in family firms (analytical generalisation) under consideration of the factors of the age and size of the firm.

The following chapter (Chapter 4) provides a presentation of the sample. The family firms that provide the context for this study (research context) are thereby introduced and the individual strategic decisions (cases) are described. This is followed by the analysis and theoretical development (Chapter 5).

CHAPTER 4 – COMPANY PROFILES AND CASE DESCRIPTIONS

4.0 Introducing the sample

This study aims to shed light on how the family context influences strategic decisions in the family firm, and therefore seven family businesses were selected. The sample shows variation in terms of company size, age, and industry. This enabled the researcher to look for both similarities amongst different firms and differences within similar contexts. The technique used for the selection of the firms can be referred to as snowball sampling (Miles and Huberman, 1994), in that the selection of the firms did not occur at the beginning of the research, but happened throughout the project, when concepts needed further development and depending on the saturation of the data. This is also known as replication logic (Yin, 2003), that is, cases or firms were selected that allowed for the development of the concepts identified previously and that enabled the researcher to gain new insights (size, age, industry), but also allowed for a certain degree of replication of earlier findings (e.g. similarity in terms of strategic decisions). Thus, based on the selection criteria of size and age, the author started off with a small-sized young family business. This was followed by a second small-sized young firm to see whether the family influences found in Firm 1 were specific to the firm or whether they were present in other firms of a similar age and size. The author then selected a medium-sized firm (Firm 3) and two large-sized family businesses (Firm 4 – manufacturing, Firm 5 – service) in a similar manner. To find out whether the findings discovered for Firms 1 to 5 differ according to age, two old firms (6 and 7) complemented the sample.

In addition to size and age, the author aimed to achieve an even spread between service- and manufacturing-oriented firms in the sample. As Table 4.1 shows, there exists a fairly even distribution between service- and manufacturing-oriented firms relative to both the size and age of the firms in the sample.

Within each family business two strategic decisions were selected. Each strategic decision constitutes an individual case. The number of cases ensured a sound basis for cross-comparison and aided the researcher to generalise and develop theory via inductive reasoning. The main criterion for the selection of a specific strategic decision (case) was the importance of the decision for the company's future strategic direction. In this way, the author aimed to focus on three types of decisions, that is: major investment decisions,

takeovers, and substantial changes to the management structure, in order to achieve better cross-case and cross-company comparability.

The differentiation between size, age, and business area, as well as different types of decisions aims to benefit generalizability and theory building for reoccurring mechanisms, explaining similar events across different contexts. Since the author used a largely grounded approach and did not start off with a propositional framework and propositions to be tested in the field, selection bias was largely avoided. That is, the author did not select cases to suit the propositional framework, but to find similarities across different contexts and differences in similar contexts and to develop theory.

Table 4.1 summarises the companies selected relative to firm size and age, as well as the industry the company operates in. Further, Table 4.1 shows the types of decisions examined in each firm, the people interviewed and the total number of interviews (face-to-face and telephone) in each firm.

Firm	Size	Age	Business Area	Case	Decision types	Interviews			
						MD	TMT	FM	#
1	Small	Young	Service	1.1	Investment	✔	✔	✔	6
				1.2	Takeover				
2	Small	Young	Manufact.	2.1	Investment	✔	✔	✔	4
				2.2	Management				
3	Medium	Young	Manufact.	3.1	Management	✔	✔		3
				3.2	Investment				
4	Large	Young	Manufact.	4.1	Management	✔	✔		3
				4.2	Takeover				
5	Large	Young	Service	5.1	Investment	✔	✔	✔	3
6	Small	Old	Service	6.1	Management	✔	✔		2
				6.2	Investment				
7	Medium	Old	Manufact.	7.1	Investment	✔	✔	✔	6
				7.2	Takeover				

MD = Managing Director
TMT = Additional family member(s) in the top management team,
FM = Additional family members not part of the TMT/company
# = Total number of interviews (initial interviews + follow-up interviews)

Table 4.1: Summary: Companies and cases

All firms selected are situated in the southern part of Germany, the Free State of Bavaria. The geographical location was chosen for its density of family businesses. In the Free State

of Bavaria there are around 350,000 owner-managed firms. About 30,000 are small-sized firms with 10-49 employees; about 21,000 firms in this area can be categorised as medium-sized, employing 50-249 members of staff; and some 2,000 firms have a workforce of more than 250 people. Out of these 350,000 firms, about 50 per cent operate in the service industry, 25 per cent in trade, and 25 per cent in production and manufacturing. However, it needs to be acknowledged that within the group of large firms the focus of activity is mainly on manufacturing, which makes up about 58 per cent of the total, with trade constituting 28 per cent, and services 15 per cent (IfM, 2012) (Table 4.2). According to a study conducted for the Institut für Mittelstandforschung Bonn, an estimated 18 per cent of these SMEs transferred ownership to the next generation between 2006 and 2010. This means that within the selected region there were a substantial number of family firms available that fitted this study's definition of the family firm in terms of age, size, and industry.

Size	Employees	Number
Micro	< 10	297,000
Small	< 50	30,000
Medium	< 250	21,000
Large	250 +	2,000

Table 4.2: Family firms in Bavaria (Source: IfM Bonn (2007). Unternehmensnachfolge in Bayern)

The empirical research was conducted between 2010 and 2012, looking at strategic decisions taken within the previous five years. Of the seven firms researched, four had made major adjustments to their management, either by handing over ownership and/or management completely to the younger generation or by passing over stakes and responsibilities to siblings. From a research perspective, such a moment of flux provides an opportunity to examine family effects within the family firm, with the younger generation aiming to gain respect and the older generation either willingly or unwillingly handing over responsibilities.

In the following sections the seven family firms and 13 individual strategic decisions will be introduced to provide the reader with a better understanding of the context and the particular cases.

4.1 Family Firm 1

Firm 1 is a small-sized manufacturing-oriented business operating in the printing industry. The company was founded in the late 1950s. Transition from the first to the second generation took place in the 1970s following the severe illness and death of the founder. When the founder's son and his wife took over the business in the 1970s it was close to bankruptcy.

Today, the business is thriving. The company employs around 30 members of staff and two generations are actively involved in the business. The third generation entered the business in 1998 and 2000. The CEO's son qualified as a repro producer and took over responsibility as technical director for production and technology in the firm. The CEO's daughter came into the business after her training to become a certified assistant accountant and now manages the company's accounts alongside her father. She has also taken on responsibility for marketing and sales and customer care. Father, son and daughter comprise the family firm's TMT.

Due to a work-related illness, the CEO's wife left the firm and the management team in 2004 and re-entered on a part-time basis in 2010, assisting her daughter. The bond between the individual family members can be seen as particularly strong, with all four living under the same roof. Recently, the parents bought a new house in which the offspring occupy their own flats.

Ownership of the firm is currently distributed between the three members of the TMT. The father holds 51 per cent of shares of the company, and the son and daughter equally share the remaining 49 per cent. The mother used to hold stakes in the company, but distributed her share to her offspring when leaving the TMT in 2004.

Reasons for the selection of the company

There are a number of theoretical reasons for the selection of this specific firm. The firm currently finds itself in a moment of flux, resulting from an unstable economic climate within the printing sector, setting the stage for far-reaching strategic actions. Additionally, the firm is undergoing a generational change, with the third generation increasingly taking over responsibilities from the second generation, resulting in a need for the younger generation to establish themselves and justify their position within the business. Further, the business is managed and owned by one family with two generations on the management board, and three generations of the family, as well as various other relatives,

working within the firm. The mother, although not holding any stakes in the business and not being an official member of the management board, is still involved in the strategic decision-making process. This indicates close family interaction in strategic decision-making. In addition, the firm is not diversified, operating in a single business sector, meaning that strategic decisions are not influenced by an overriding corporate strategy. Finally, the firm offered very good access with various visits over a period of one year, resulting in the opportunity to interview all members of the family, including those not actively involved in the business.

4.1.1 Case 1.1: Investment in strategically relevant equipment

Case 1.1 constitutes the investment in new machinery that would improve the service offered to the customers and enable the business to 'play in a new league' within their industry.

> "The question here was, can we really handle it, can we take this quantum leap, or should we rather remain in a smaller state?" (Father, Firm 1, 2010).

The decision to invest was not taken lightly since it forced the small family business to involve a substantial amount of its financial resources, combined with a seven-digit loan. Furthermore, over the previous few years the business had gradually extended its main building, already tying up most of its financial resources and entailing large commitments to local banks.

The decision to invest in new equipment followed a call from a small number of customers whose orders could not be fulfilled efficiently with the existing machines. As a result, a small fraction of orders had to be directed to competitors or handled in cooperation with a direct competitor due to inefficiencies in terms of cost and/or performance.

> "It basically started with getting occasional orders that you could barely resolve with the existing machine, maybe due to cost issues, efficiency issues, or performance issues." (Father, Firm 1, 2010).

According to the statements made by the respondents, the purchase of a new machine was not entirely necessary at that point in time as the existing machines were able to cope with the majority of orders both effectively and efficiently.

> "I would have rather said, that'll take two years, let's do it in 2010." (Father, Firm 1, 2010).

Although some orders could not be fulfilled in the most effective manner, Firm 1 was still able to deliver to the customer. The potential losses resulting from these orders were regarded as minor; however, turning customers away in the medium-term was not regarded as a desirable option.

> "If that starts to happen more frequently, you obviously start to think, damn, do you just stop taking on these orders, do you refer them to colleagues, or do you make a preparatory effort by investing in a new machine that is able to cope with these issues?" (Father, Firm 1, 2010).

Therefore, Firm 1 decided to acquire a new piece of equipment that would not only solve the problem of inefficient order fulfilment, but would also enable the company to compete in a 'new league' within the its industry. The strategic decision-making process leading up to the investment in the new machine constitutes Case 1.1.

4.1.2 Case 1.2: Takeover

Case 1.2 constitutes the rejection of a friendly takeover bid from a larger competitor located in the northern part of Germany. The offer, close to an eight-digit figure, would have enabled the family, and particularly the parents, to finally retire after 40 years of hard work:

> "You had a holiday when there was a bank holiday on a Thursday, so Thursday, Friday, Saturday, Sunday, four days, that's all you got, so it really used to be 360 days a year with us spinning the wheel." (Father, Firm 1, 2010)

Considering this, the father felt willing to accept such a 'once-in-a-lifetime' opportunity.

> "That time I would have, well, if I'd still been on my own, or if I hadn't had kids, I would have sold the whole thing. Well, that's the end of tradition, with an offer like that, well, you just grab it." (Father, Firm 1, 2010)

However, the father faced heavy resistance from his offspring, and after four weeks of tough family discussions the offer was finally rejected. The strategic decision-making process leading up to the rejection of the takeover bid constitutes Case 1.2.

4.2 Family Firm 2

Firm 2 was founded just after World War II as a manufacturer of fashionable gloves. With the death of the founder in the late 1970s the two sons took over a business on the brink of bankruptcy. In order to keep the business afloat the elder brother sold the family's home and started repositioning the business, switching from fashionable gloves to skiing gloves. Almost accidently the firm arrived at what it is known for today: motorcycle gloves. In the late 1970s the firm introduced its first motorcycle glove and has since come up with a number of ground-breaking and award-winning designs and innovations, establishing itself as one of the leading European brands for motorcycle clothing.

The company is fully run and owned by the managing family and is currently undergoing a transition from the second to the third generation. Ownership is split between the two brothers (second generation) with 25.5 per cent each, and their offspring (third generation) with 12.25 per cent each. The older brother manages the firm as CEO, and his wife is responsible for customer care and sales in Germany, Austria, and Switzerland. His first son joined the company in 2006 and has taken on the role of future successor to the CEO, currently responsible for sales and marketing; the CEO's second son joined in 2008 and is involved in production and development. The CEO's brother is responsible for production, and research and development (R&D). The brother's offspring are also involved in R&D.

Firm 2 supplies around 3,000 specialist dealers across Germany, Austria, France, England, and Italy directly. The firm also exports into all other European countries as well as to Asia, the USA, and South America via general importers, hence serving a global market. The company is one of the main suppliers to BMW, where their products are sold under the BMW brand name.

Reasons for the selection of the company

Firm 2 was included in the sample as a counterweight to Firm 1. Both firms are similar in terms of size and age. In addition, as with Firm 1, Firm 2 is in a moment of flux, currently moving into transition from the second to the third generation. Due to the large number of family members involved in the business, the family firm constitutes the central part of everyday life for all members of the managing family, potentially promoting the existence of strong influences from the family context on the strategic decision-making process in the family firm.

4.2.1: Case 2.1: Investment in a new flagship store

Case 2.1 constitutes the process leading up to the investment in a new multimillion euro flagship store aiming to increase the company's customer exposure and to represent the brand more effectively than the existing shop.

> "The old store had just grown over the years, it was full of nooks and crannies, confusing, absolutely not up-to-date anymore, and after all, we are one of the leading companies in Germany and always when people came to us, and because of the holiday region here very many people come to us, then they were always a bit like, hmm, so that is [Firm 2]. It just didn't fit the image at all anymore" (Father, Firm 2, 2012)

With the new flagship store these problems were being resolved, offering high exposure due to its positioning on one of Germany's most popular motorcycle routes.

> "The turnover figures and all the trappings are considerably more than we had expected. This was really the right decision." (Father, Firm 2, 2012)

The new flagship store is a strong representation of the brand, not only offering more space and thus a more enjoyable shopping experience, but also emphasising the family business aspect via the inclusion of a company museum where the history of the company and the family is presented along with their ground-breaking developments for the motorcycle industry.

The flagship store development lends itself well to analysis since it constitutes the first major project of the eldest son, who is expected to lead the firm in the future in the role of CEO. The case provides insight into how the father transferred major responsibilities to his son, and shows how such major decisions were discussed within the close family circle. Furthermore, the case demonstrates a long-term vision of the company with amortisation of the costs probably going far beyond the management period of the current CEOs.

4.2.2 Case 2.2: Changes to the marketing strategy

Case 2.2 constitutes the design and development of a marketing campaign, which brings to light the discrepancies and different ways of thinking between the younger and the older generation. Marketing was one of the main areas handed over from father to son within this firm. The campaign involved the design of a new 400-page sales catalogue, posters, etc. highlighting the new collection. When designing the new campaign, the son decided to pursue new methods and strategies in marketing, focusing less on the product, and more on emotional dimensions.

> "Somehow for him [the father] it is only a big picture, and if it were up to him we would also have more products with information and prices and so on." (Son, Firm 2, 2012)

> "I believe there is always a certain type of generation gap, and then of course it's natural that the youth have got completely different ideas about particular things … I had a different opinion then on how to design such a flyer. He is a lot about mood, or works a lot with mood. I said mood is good, yes, but half the mood would also have been enough and then we could have shown more products. I'm still of a different opinion there to the young one [the son], and also the entire advertising department was behind him at that moment." (Father, Firm 2, 2012)

This case was chosen as it represents a milestone in how processes and responsibilities within the company are starting to change and how these changes are being pushed forward by the son on one hand, and being received by the father on the other. It also

exemplifies the difficulty of the father handing over responsibilities and how paths need to be negotiated that suit both parties.

> "That's 40 years of job experience I have, but times change, it's with Facebook, the internet, I don't have real access to that anymore, that is, they grow up completely differently and I really interfere very little with such things … And then I just say OK, we'll do half a page mood then and then we'll put on a few more products then." (Father, Firm 2, 2012)

The decision-making process leading up to the final campaign constitutes Case 2.2.

4.3 Family Firm 3

Firm 3 is a large-sized family-owned and -run business located in the southern part of Bavaria. Firm 3 is the European market leader for playground equipment and furniture aimed at educational institutions, public playgrounds, and recreational areas. Firm 3 offers a full service covering advising, planning, manufacturing, delivery, and installation. Their distribution network covers Austria, Switzerland, the Netherlands, Belgium, and the UK, where they run subsidiaries, together with a network of regional dealers worldwide.

Currently the business is in its third generation, employing more than 300 members of staff worldwide and generating an annual turnover of around 37 million euros. The managing director is the older of two brothers, and officially entered the firm as a craft apprentice after completing his A-Levels in 1992. He simultaneously pursued a university degree in wood engineering. With the completion of his studies he took on the position of Marketing Director in 1997. In 2001 he became Chief Financial Officer (CFO), before taking over the position of CEO from his father in 2005. After committing the full management and the majority of the ownership to his son, the father left the business in 2006. This was followed by substantial structural and cultural changes.

The son's younger brother entered the business as Senior Export Manager in 2009 after completing his business and management studies, followed by a year in consultancy. Since March 2011 the younger son has been Director of Sales, hence directly involved in all of the firm's strategic decision-making processes.

Due to the restructuring process that was initiated by the elder son after his father left the company, the first ever family external was positioned within the TMT.

Reasons for the selection of the company

Firm 3 was chosen for a number of reasons. Firstly, the business has just recently completed the transition from the second to the third generation. Firm 3 is just at the boundary between a medium- and large-sized firm, and thus offered interesting comparisons in regard to decision-making with the two small-sized companies. Another interesting perspective is provided by the fact that both ownership and management are unequally distributed between the two sons actively engaged in the business. In terms of performance, Firm 3 has shown substantial growth over the past few years, that is, since the transition from the second to the third generation, indicating both the success and the weight of the strategic decisions implemented.

> "We've basically developed a growth strategy, which has enabled us to grow by around 40% in the past four years." (CEO, Firm 3, 2011)

The most crucial of these decisions was a complete restructuring of the management team, management style, and the majority of individual processes within the business, which, from the son's point of view, was unavoidable should he take over leadership. This reflects a typical situation in family firms with two generations colliding due to substantially different ways of thinking, and thus offers great opportunities for exploration.

4.3.1 Case 3.1: Restructuring of management

Case 3.1 constitutes the complete restructuring of management, ranging from the distribution of responsibilities, the introduction of a new level of management, the redesign of all processes, to the inclusion of a non-family member in the TMT.

> "It was clear to me right from the beginning that in our case it wasn't done with the generational change, with me doing everything now, in a way that the senior chief is basically just being replaced by the junior chief. For me it was essential that the entire top management level, against the senior's [father] will, would be affected, and that this, in turn, would effect substantial changes in management and company culture." (CEO, Firm 3, 2011)

> "Basically, the entire team has changed substantially over the years. That is, since my father left, there are far more young people, many retired. Well, the entire climate has changed drastically. You can really feel it … basically, the way you work with each other today is different than it used to be. Less hierarchical, so the structures have obviously changed depending on the business areas. Also, let's say, the areas of responsibility that have now been taken over by some differ slightly. Today there is a new level of management, which wasn't there before … And I think that the teamwork and way of working with each other, that has definitely changed. We've got far more innovative products and new products today. Well, a lot has changed." (Brother, Firm 3, 2011)

This case reflects different schools of thought between the older and the younger generation, and has led to substantial changes in how the business is run today.

> "Let's say, the leadership culture has changed. Well, I lead people completely differently than my father led them. My father was rather authoritarian, rather patriarchal, self-centred, delegating, or let's put it this way, he set the requirements, and he needed people that implemented them, that picked up and quickly took them into implementation, and with me it was more like, well, I don't really know the solution beforehand, so I devote myself to the problem and take on board the people, I try to let people participate in the decision-making process, and to decide only when necessary. So I somehow try to let the people work and to hand over decisions, as far as these are within their competencies; however, when a decision is required, it's obviously me. And that's the main difference." (CEO, Firm 3, 2011)

Specifically, the changes affected all areas of the business, and in particular the top management levels. The strategic decision-making process leading up to the implementation of the structural changes constitutes Case 3.1.

4.3.2 Case 3.2: Introduction of a new growth strategy

Case 3.2 constitutes the strategic decision leading up to the investment in a complete overhaul of the existent management and production buildings and machinery as a major part of a long-term growth strategy. The decision was due to an unprofitable product line that left the management with two options available: to either abandon one of their two product lines (a furniture business) or to heavily invest and thus upgrade this business area.

> "It basically was a decision of life or death … but in coherence with our growth strategy, we've decided, OK, we are going to invest properly and bring it up to scratch, partly because we were just too proud to end this." (CEO, Firm 3, 2011)

Major investments were made in all areas, including in buildings, machinery, and human resources. This led to a complete redesign of the existent processes, product line, and the business area as such.

> "And that basically led to new investments in the factory as a whole, there is in fact no machine left that's somehow dated, we've exchanged all the machines and redeveloped the entire area … we've invested heavily in new products, new personnel in product development, we used to have two or three designers, now we've got six and the construction team behind it all … Basically, where we used to have three designers and three engineers, we've now got six designers and twelve engineers just for the development and that's how we were able to make our product range much more attractive." (CEO, Firm 3, 2011)

The overhaul enabled a repositioning in the market and a substantial increases in sales. At the time of the researcher's last visit in summer 2011, the redevelopment, which had taken about four years, had just entered its final phase with only one building conversion left.

4.4 Family Firm 4

Firm 4 was founded in the early 1920s as a timber trade and transport business. Soon after its foundation the business extended into the coal trade. In 1930 the company's first gravel quarry was established, and in 1952 the company added civil engineering and road

construction to its core business. The following decades were characterised by an extensive expansion policy and various takeovers, partly under the management of the founder's three sons who took over after the founder's death in the late 1960s, and substantially under the management of the third generation. The third generation (two cousins, originally three) entered the family business in the 1980s, working alongside their fathers for several years before taking over sole leadership of the company. Today, Firm 4 employs around 1,800 members of staff in five different countries and across Germany, and generates an annual turnover of 250 million euros. Their main business areas include building materials, disposal and sanitation, reconstruction, wastewater technology, civil engineering (surface and underground), project development, logistics, recycling, and turnkey delivery.

Reasons for the selection of the company

Firm 4 was selected mainly on the criterion of size. With 1,800 employees, the company constitutes the second-largest firm in the sample (the largest is Firm 5, with 3,400 employees). In addition, Firm 4 has shown exponential growth under its current managing partners. As with most of the other firms (apart from Firm 6), the business is fully owned by members of the founding family. As a rule established by the second generation, only the eldest male of each family member's offspring may enter the business as a potential successor, which is believed to affect general family involvement in business matters differently from that in Firms 1, 2, 3, and 5, in which brothers and sisters share both ownership and management. This allows for interesting cross-case comparison. Family and tradition, however, constitute a highly important part of life for the managing families; for example, the founder and his wife had twelve children, three of whom went into the business, and each of these three siblings had five children themselves. Today the managing families still follow a very traditional view of the family, with the wife in the role of the caring full-time mother, and the husband responsible for the financial welfare of the family.

> "I have got a sister who is a year older than me, and she really does bewail that this traditional view in regard to roles and responsibilities within the family led to the fact that her younger brother – myself – obtained the stakes in the business … but that was or rather is just one of the core values in our family." (CEO, Firm 4, 2011)

> "In the case of my cousin the situation was similar. He's got four elder sisters, and he's the fifth child, which is why his father couldn't retire at 65 as intended by the company agreement, but had to extend in order to acquaint his son with the company." (CEO, Firm 4, 2011)

Similar to Firm 5, the current management of Firm 4 are in the midst of their leadership period, with the transition from the second to the third generation long passed and future succession still years away, allowing for interesting cross-comparison between the two large-sized firms, as well as between the firms that are currently in or have just undergone transition and the role their families play in the strategic decision-making process.

4.4.1 Case 4.1: Restructuring of management

Case 4.1 constitutes the strategic decision-making process leading up to the complete restructuring of the existing management and decision-making structure based on an exclusive system developed by the University of St. Gallen in Switzerland. Although ownership and general management of the conglomerate stays firmly within the hands of the two managing directors, responsibilities for almost all other management functions, reporting, communication flows, and decision-making procedures have changed based on the implementation of the Syntegration approach.

4.4.2 Case 4.2: Takeover

Case 4.2 constitutes the strategic decision-making process leading up to the takeover and incorporation of the management of a smaller competitor into the existing conglomerate. The takeover of the management of the company resulted in Firm 4 opening up a new business area: building restoration. The decision to incorporate the new management team into the firm's conglomerate took about six to eight weeks from the point of first contact, and resulted in Firm 4 being approached by other managers of the competitor's subsidiaries with the wish to be taken on.

> "The whole thing escalated though. After a while other restorators from their subsidiaries realised what was happening, that all their colleagues were coming to

us and being presented with a completely new unit, so these others came along, too. And this took about an additional six to eight weeks." (CEO, Firm 4, 2011)

4.5 Family Firm 5

Firm 5 was founded just after World War II by turning the parental cheese trade business into a supermarket. The founder's two sons took over the business in the 1960s and vastly expanded, opening numerous supermarkets in the southern part of Bavaria. Between 1998 and 2002 the business was handed over to the third generation (three sons), sticking to their father's belief that "in a good family business there can never be enough family members" (CEO, Firm 5, 2010).

Today, Firm 5 operates approximately 100 supermarkets in Southern Bavaria, employing around 3,800 members of staff. The company holds three private food brands serving the upper market segment. In 2011, the company opened their new 40 million euro butchery serving both their own customers and external clients, including gourmet restaurants, delicatessens, and large kitchens across the country. The company, and the owning/managing family, can also be regarded as a major contributor and supporter to the preservation of local nature and crofting, sourcing the majority of their meat from local farms. The family business played a substantial role in the introduction of fat stock to local farms over the past ten years, securing the livelihoods of numerous local milk farms that had suffered heavily under falling milk prices.

Both the firm and the family are thus deeply anchored within the local community, which may be reflected in the behaviour of the individual family members as well as in the strategic actions taken by the company.

Reasons for the selection of the company

There are a number of reasons why Firm 5 was selected. Firstly, as with Firm 4, Firm 5 is a firm in which transition from the second to the third generation took place more than a decade ago, meaning that the current generation is well established in their roles as managing directors, and there will be no transition to the next generation within the next few years. Both, Firm 4 and Firm 5 have a family board, where senior family members are informed on a regular basis and are still able to deliver input into strategic actions.

4.5.1 Case 5.1: Investment in a new butchery

Case 5.1 constitutes the strategic decision-making process leading to the investment in a new butchery in order to process the meat for the company's own supermarkets, but also to serve business customers nationwide. Firm 5 is renowned for its high-quality meat and serves various high-class clients, including restaurants, delicatessens, canteens, and other meat suppliers across the country. The decision to build a new butchery was mainly due to three problems. Firstly, an existing bottleneck in the existing cooling chamber was causing inefficiencies in production. Secondly, due to space limitations, Firm 5 had been commissioning its 'slicer line' to Augsburg, which lies about 120km away from Firm 5's headquarters. The third problem was the age of the existing building. The existing plant had been used for more than 40 years as a butchery. In particular, the constant work with large amounts of water used with high pressure had led to an attrition of the existing building. A redevelopment of the building, however, would prove difficult whilst in constant use.

> "These three components led to the deciding question of whether we wanted to invest in a new butchery, and if so, in which form." (CEO, Firm 5, 2010)

In terms of investment, the management team had a number of options ranging from a completely new building on an empty piece of land, an extension to an existing building, the clearance of an existing building in order to acquire the needed space, to a complete restoration of the existing butchery. The management's final decision was to clear and restore an existing building to accommodate the butchery without interruptions to the butchery service, whilst moving the management division into a new building built next to the existing one, which would also accommodate the new cooling units.

The decision to invest in the new butchery constitutes a long-term investment typical to family firms, which makes it an interesting case to explore. According to the CEO, the move and new build of the butchery has been:

> "… practical and, for us, promising, and especially an action that will secure our future. Particularly in a way that the business remains a family business … the investment sum of 37 million euros is obviously in our generation, that is, the third[d] generation, the key investment. And with that investment completed there would be

absolutely no reason to depart from the business at any time in the future." (CEO, Firm 5, 2009)

The move and the new build of the butchery took about one year without any interruptions to the butchery process, and was completed in 2012.

4.6 Family Firm 6

Family Firm 6 is a private bank founded in 1828. The bank has been in family hands ever since and is currently managed by the sixth and seventh generations of the owning family. The current senior manager took over the management of the bank in 1973 together with his brother, who passed away in 1997. His son joined the management team in 1994. In the 1990s the bank expanded its business significantly, profiting from the engagement of and close trust relationships with local farms and businesses. Subsidiaries were opened in larger nearby towns and cities. Partly breaking with family tradition, external management support was taken on board in 2001. This led to a repositioning of the bank's asset management, further growth, and the implementation of a comprehensive system of risk control.

Firm 6 runs as a Kommanditgesellschaft (KG), a form of organisation where at least one of the partners (Komplementär) bears unlimited liability; that is, in case of bankruptcy the owner is liable with all his private assets. In Firm 6 all three partners carry unlimited liability. Particularly in times of economic and financial uncertainty, this type of organisation helps to further trust with both existing and potential customers, since potentially wrong decisions will not only harm the clients' assets, but the private wealth of the bank's owner-managers.

Firm 6 has total assets of around 138 million euros. Account deposits are 105 million euros, set against 91 million in receivable loans. The bank has around 10,000 customers and close to 50 employees. According to the junior manager, the bank has benefited from recent mergers of larger banks. "The more banks merge, the better off we become" (Junior CEO, Firm 6, 2011), since customers tend to switch to private banks after losing their advisors following mergers in their previous banks.

Aside from the bank business, the owning family plays a substantial role in the local region. The family still owns a farm with about 100 cattle, and one-seventh of the

700 hectare borough in which the firm is headquartered. The family also has full ownership of a baby food producer, and holds a quarter of a well-known dairy company.

Reasons for the selection of the company

With most of the selected firms operating in production, Firm 6 offers another perspective to the study as a service-orientated private bank. This allows for cross-case comparisons of family influences on strategic decisions in service and manufacturing firms. In addition, as with Firm 7, the bank constitutes a relatively old firm, which can be used for comparison with both younger and older firms in the sample.

4.6.1 Case 6.1: Restructuring of management

Case 6.1 constitutes the strategic decision-making process leading to the inclusion of a non-family member in the TMT and as owning partner. In the tradition of the family business this constitutes a major move with far-reaching structural changes in both the management and ownership of the business. The decision was mainly due to the age of the bank's senior manager and the company's legal status, which requires a minimum of two partners to manage the bank. With the junior manager's offspring still in education and the senior manager's age of over 75 a decision had to be made to secure the future survival of the bank by considering the possibility of taking on a family-external TMT member.

> "We plan on a long-term basis and we always need two partners. Well, and we also decided that we should look for a partner from outside and not one from within the bank, as every now and then you should take on competencies from outside your business … however, it also bears its risks. When you take a wrong decision here it may put a strain on you for many years – you do usually need two years to realise that it doesn't work, then you need to part from that person and look for someone new, and all of a sudden three to five years have vanished – completely unproductive." (CEO 1, Firm 6, 2011)

4.6.2 Case 6.2: Investment in a new IT system

Case 6.2 constitutes the strategic decision to outsource the bank's electronic data processing. Such decisions are of crucial importance, due to the substantial cost involvement of several hundred thousand euros, along with the long lifespan of new systems and changes for staff and potentially for customers.

> "If you take the wrong decision here, you'll suffer from it over many years." (CEO, Firm 6, 2011)

The decision was made due to the existing systems being outdated and in urgent need of renewing. Thus, in terms of timing, a decision had to be made between implementing a completely new IT system and running and maintaining it in-house, or outsourcing all the data processing to an external company. The decision-making process took about one year and the new system was fully implemented in 2010.

4.7 Family Firm 7

Family Firm 7 has been named the oldest family business in Germany (Euro 06/2006). The business was founded in 1447 as a guesthouse, with the brewery surviving the Thirty Years' War without damage. Shortly after Napoleon's relegation, the Eagle of Prussia started to be used as trademark for the guesthouse and its beers, which has remained unchanged until today. The current CEO's father in particular contributed majorly to the company's growth over the last few decades and to the strength of the beer brand before handing the business over to the twentieth generation. Today, his son runs the company as CEO, although various other family members are employed in management positions. The second managing partner is the CEO's brother-in-law. Ownership is distributed between the two families: the CEO holds 60 per cent and his brother-in-law the remaining 40 per cent. Over the past 565 years the business has always been owner-managed. In order to keep the family business in family hands, it has been laid down in the company agreement that in future only siblings to the two families may act as new partners.

The current CEO is the creative core of the company. His major responsibilities range from ensuring the quality of the brew, customer care, and the fine-tuning of the brand to the general management of the business. His wife supports him on all

representative occasions and often looks after the guests of the 'Brewing Experience', in which visitors can learn and experience the art of brewing. His son has entered the business recently after completing his studies in brewing and management, and works as a master brewer and beer sommelier.

The CEO's brother-in-law is head of sales and distribution and part of the company's TMT. His wife works part-time in administration and is engaged in the planning and preparation of the company's festive activities. Aside from the share-holding partners, there are a number of other family members actively involved in the company, but not in leading positions.

The brewery currently employs close to 50 members of staff at their headquarters, generating an annual turnover of about 10 million euros. Firm 7 has recently taken over one of its main competitors and is currently incorporating the brand into its own existing offerings.

Reasons for the selection of the company

The reasons behind the choice of Firm 7 were twofold. Firstly, Firm 7 was selected on the basis of its age. Having a family business in the sample that has survived and thrived over 20 generations constitutes a highly interesting component in terms of family dynamics, family history, and family identification with the business. In addition, in contrast to much younger firms, processes and family involvement may be more structured, with clear decision-making and succession rules in place that would guarantee the long-term survival of the business. However, of particular interest in this specific firm is the role of the family in the firm's strategic process, in securing succession, and with an expected emphasis on the long-term results of strategic action. Although Firm 7 is by far the oldest firm in the sample, similarities may be found in cross-case comparison to Firm 6, which currently is in transition from the sixth to the seventh generation. Furthermore, due to its age and its rural location, both the firm and the family play an important role within the local community. Thus, reputation is expected to play an important part in the daily activities of the firm, the family and its members, which may be reflected in the firm's strategic actions.

4.7.1 Case 7.1: Investment in a new building and business branch

Case 7.1 constitutes the strategic decision-making process leading up to the development and construction of the 'Erlebnisbrauerei', or Brewing Experience. The Brewing Experience is a visitor centre offering visitors insights and a hands-on experience in the brewing trade. With the Brewing Experience, Firm 7 offers its visitors an entire package around beer, ranging from family- or school-oriented tours around the company, beer seminars, exclusive brewing courses lasting several days where customers learn about different techniques in brewing and are able to brew their own beer, and an academy for restaurateurs in which Firm 7 offers year-long education and advanced training courses in gastronomy.

> "For us, it was very important to open up the brewery to the public, to basically give people an experience of the trade. Before it was more like, well, no one would ever come into a brewery, apart from our business customers, but we were desperate to build up relations with the public and show what's going on in here, especially in terms of sales structures and the quality management that goes into the brewing of our beers – we've actually implemented a completely new quality management system in recent years … and I think that particularly for us, for a business with such a tradition, it has been an absolute crucial decision." (CEO, Firm 7, 2010).

The development of the Brewing Experience was a vital decision for Firm 7 since it enabled the company to stand out in a highly competitive market.

> "Well, we operate in an industry with fierce competition. There are about 1,200 breweries in Germany, and just in Bavaria there are more than 600. I believe there are not many markets as stagnating as ours with such high competition … this means that we have to constantly reinvent ourselves." (CEO, Firm 7, 2010)

Since introduction of the Brewing Experience and the academy, public exposure has grown immensely, most importantly far beyond the local area, helping the company to substantially extend its customer base and intensify relations with existing customers and local gastronomies and hotels.

4.7.2 Case 7.2: Takeover

Case 7.2 constitutes the strategic decision-making process leading up to the friendly takeover of one of the company's main competitors. The competitor had built up a reputation for its variety of typical Bavarian beers, reaching far beyond regional borders. The takeover was initiated by an offer brought forward by the owner of the competitive brewery in 2009. What prompted the offer was a decrease in sales, dated bottling machinery, and the absence of a suitable family successor, since the owner's offspring decided to follow different careers, making long-term investments in the marketing and sales structure or in machinery questionable, since the company had lost its long-term perspective. According to the CEO of Firm 7, the offer constituted an extraordinary move, since:

> "… in our industry it is common sense that in the case of the closure of a Mittelstand family business, one usually tries to get incorporated into a larger corporate competitor rather than into a similar-sized family business, hoping to achieve greater returns." (CEO, Firm 7, 2010)

Following the offer, Firm 7 decided to acquire the competitor, its brands, and its customer base in December 2009. Over the past few years, many of competitor's brands have been integrated into Firm 7.

The acquisition of a company of similar size constituted a major investment for Firm 7; however, it also enabled the firm to drastically increase its customer numbers. As with the first decision, the development of the Brewing Experience, this decision was a crucial milestone for the company. For the analysis of family influences such decisions are of major interest since they call upon meetings of the family board: an institution where all family members, regardless of their personal ownership of the business, are directly engaged in the decision-making process.

4.8 Summary and conclusions

The author has chosen snowball sampling (Miles and Huberman, 1994) and replication logic (Yin, 2003) as the methods for sample selection. This is in line with the largely

grounded approach of the study, in which data collection is dependent on data saturation and on whether emerging concepts need further development. The individual family firms provide the context for the cases under investigation. The sample comprises seven family firms of different sizes and ages, enabling the researcher to look for differences in similar contexts and similarities across different contexts. Across the sample the author has aimed for a fairly even divide between service- and manufacturing-oriented firms to allow for further cross-comparison between the cases.

The cases are individual strategic decisions taken within the various family firms. In each firm (apart from Firm 5), two strategic decisions were selected, which benefits the decision to use a critical realist perspective, since it is possible to examine how underlying social structures such as family relationships evolve and are elaborated over time and how they influence the mechanisms operating underneath the surface of subsequent decisions (see Archer, 1994).

The spread of ages, sizes, and business areas, as well as the choice of three types of decisions (investment decisions, takeovers, and major changes to the management structure) was aimed to benefit the generalizability of potentially reoccurring generative mechanisms identified across different cases and contexts, and hence the development of theory.

This chapter has provided an introduction to the seven firms and 13 strategic decisions in order to familiarise the reader with the research context and the individual cases. The cases introduced above will be analysed in Chapter 5 using a critical realist view on reality, allowing underlying generative mechanisms driving strategic action to surface. This will be followed by a discussion of the results, the empirical development, and the introduction of new theory in Chapters 6 and 7.

CHAPTER 5: ANALYSIS

5.0 Introduction to the analysis

Critical realism assumes a stratified reality with three levels: the empirical, the actual, and the real. In the empirical domain are experiences, in the actual domain are events, and in the real domain are generative mechanisms (Figure 5.1).

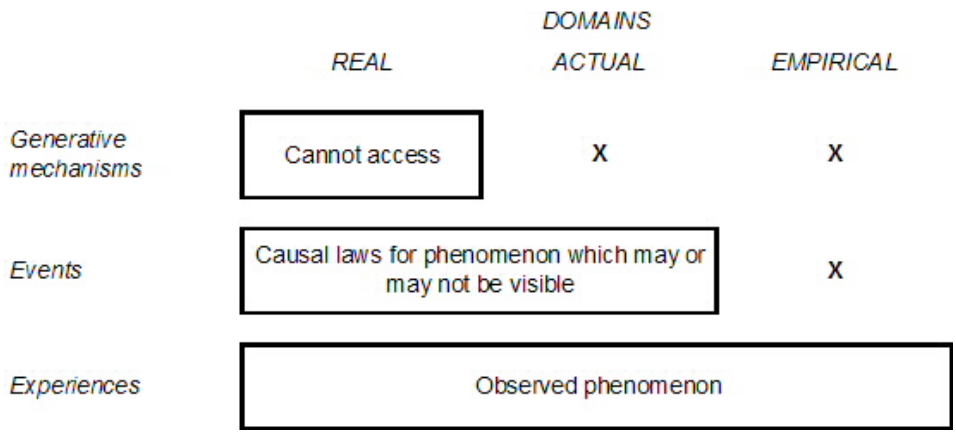


Figure 5.1: Reality as argued by Bhaskar (1975)

Experiences in the empirical domain are visible to individuals. Experiences comprise an individual's interpretation or lived experience of a specific phenomenon – in this study, the phenomenon is a strategic decision-making process in a family firm. Experiences are therefore visible to the individual respondent.

Events are located in the actual domain, and comprise the researcher's interpretation of the accumulated experiences of all respondents. In this sense, the domain of events is similar to a bird's-eye view. In other words, each respondent may have their own lived experiences of a specific phenomenon: some experiences may be the same as other respondents' experiences, some may differ slightly from other respondents' experiences, and some experiences may be completely unique to one individual. However, via the interpretation or layering of all the different viewpoints, combined with additional information including emails, company reports, and the researcher's own experiences, the researcher should be able to discover a causal chain of events (causal laws) that led to the experienced phenomenon under study. While some of these events may be visible to all the respondents experiencing the phenomenon (e.g. family discussion), some may be visible to only a few respondents or to a single respondent (e.g. a father in a family firm being under

pressure), some may not be visible to the respondents at all (e.g. a mother's struggle to be involved in the decision-making process), and others may never be discovered by the respondents or the researcher.

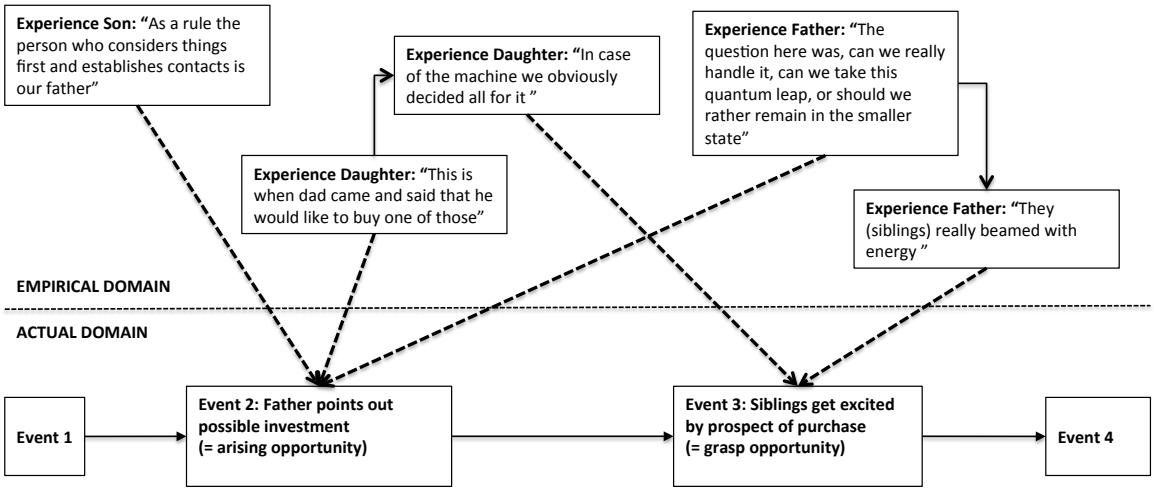


Figure 5.2: Experiences and events

Through interpretation of the accumulated experiences light can be shed light on the events (or causal laws) underlying the phenomenon under study. For example, *market demands* leading to *the father voicing concerns* leading to *family discussion*, and so on. In other words, events provide a causal description of how the phenomenon actually occurred (Figure 5.2).

Critical realism also assumes a third layer of reality, the domain of the real, which comprises generative mechanisms. Generative mechanisms in the real domain are often not visible to the human eye. Generative mechanisms are products of entities (e.g. family entities, business entities, market entities) and the relationships within these entities. Generative mechanisms exist independently of the events in the actual domain and the experiences in the empirical domain. However, specific mechanisms may be triggered by certain events in the actual domain. Once triggered, they cause subsequent events to happen. Some mechanisms are triggered frequently, some may be triggered only very rarely, and others may never be triggered at all. Put differently, generative mechanisms are waiting to be leveraged, but will only do so when specific events occur. Via retroduction (Figure 5.3) the researcher is able to go beyond empirically observable experiences and the level of events, and shed light into the domain of the real, uncovering some of the generative mechanisms at work.

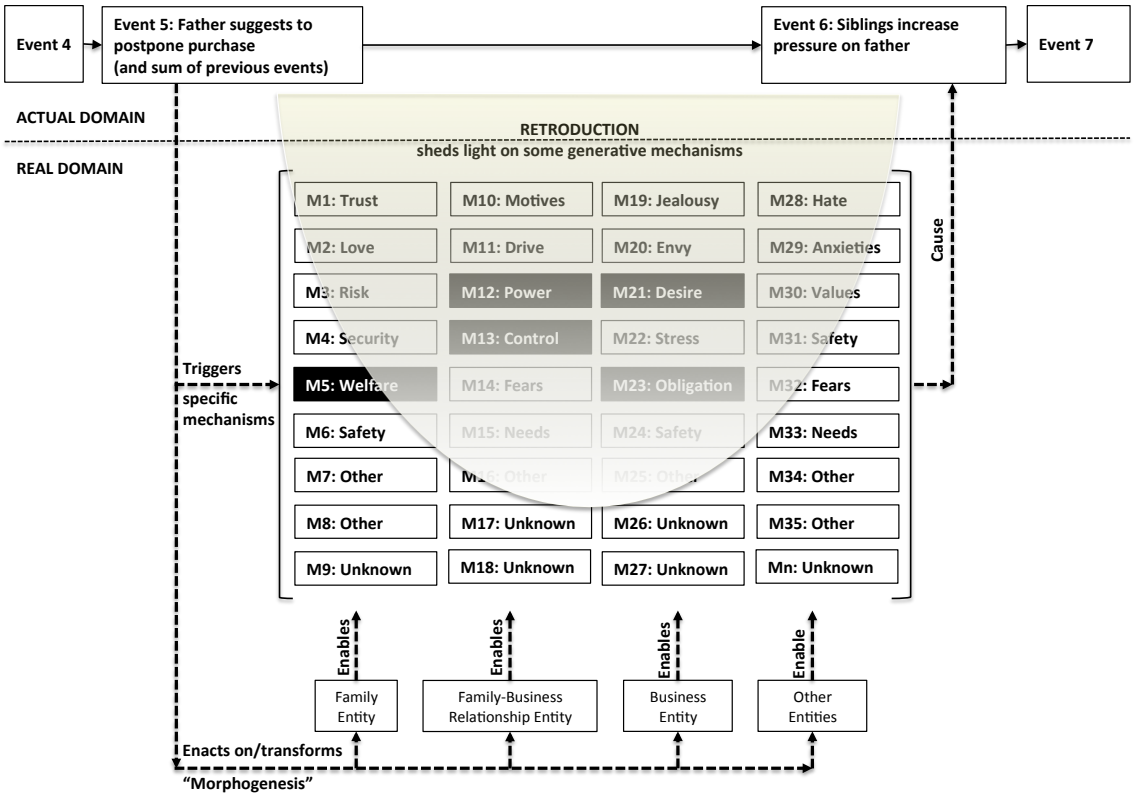


Figure 5.3: Retroductive process using the example of Events 5 and 6

Entities are the source of generative mechanisms. They possess powers and liabilities; that is, they can act or be acted upon. Entities can also have sub-entities and structures with their own powers and liabilities, such as individual family members, individual TMT members, departments within the family business, and the family board as a structure of the family-business relationship. Events occur in the actual domain and will generally have certain effects on the entities and their relationships (social structures), and thus on the strength of the mechanisms they exert. For example, the father suggesting to postpone the investment in a new piece of equipment may transform the social structure of the family entity and its sub-entities, since his suggestion may strengthen the relationship of interpersonal trust between husband and wife (the wife trusts the husband to care for the family's welfare), whilst at the same time may weaken the relationship between the father and his offspring (the offspring may feel betrayed, since the purchase would be an investment in their future). Such effects can be referred to as 'structural elaboration', forming part of the morphogenetic process (Archer, 1995).

As mentioned earlier (see Chapter 3), the analysis follows nine steps in aiming to uncover the generative mechanisms underlying strategic decisions in the family firm.

Cases 1.1 and 1.2 will be used as sample cases in which each of the nine steps, and particularly the retroductive process for the first three events of Case 1.1, is outlined in-depth, leading to the development of an explanatory framework describing family influences on the firm's strategic decision-making process from a micro-perspective (generative mechanisms). The explanatory framework will evolve through the course of analysing the remaining 12 cases. The causal maps for all 13 cases, examples of the retroductive process, as well as the generative mechanisms impacting on the strategic decision-making processes in the firms, are summarised in tabular form in Appendices I-VI.

5.1 Analysis of Family Firm 1

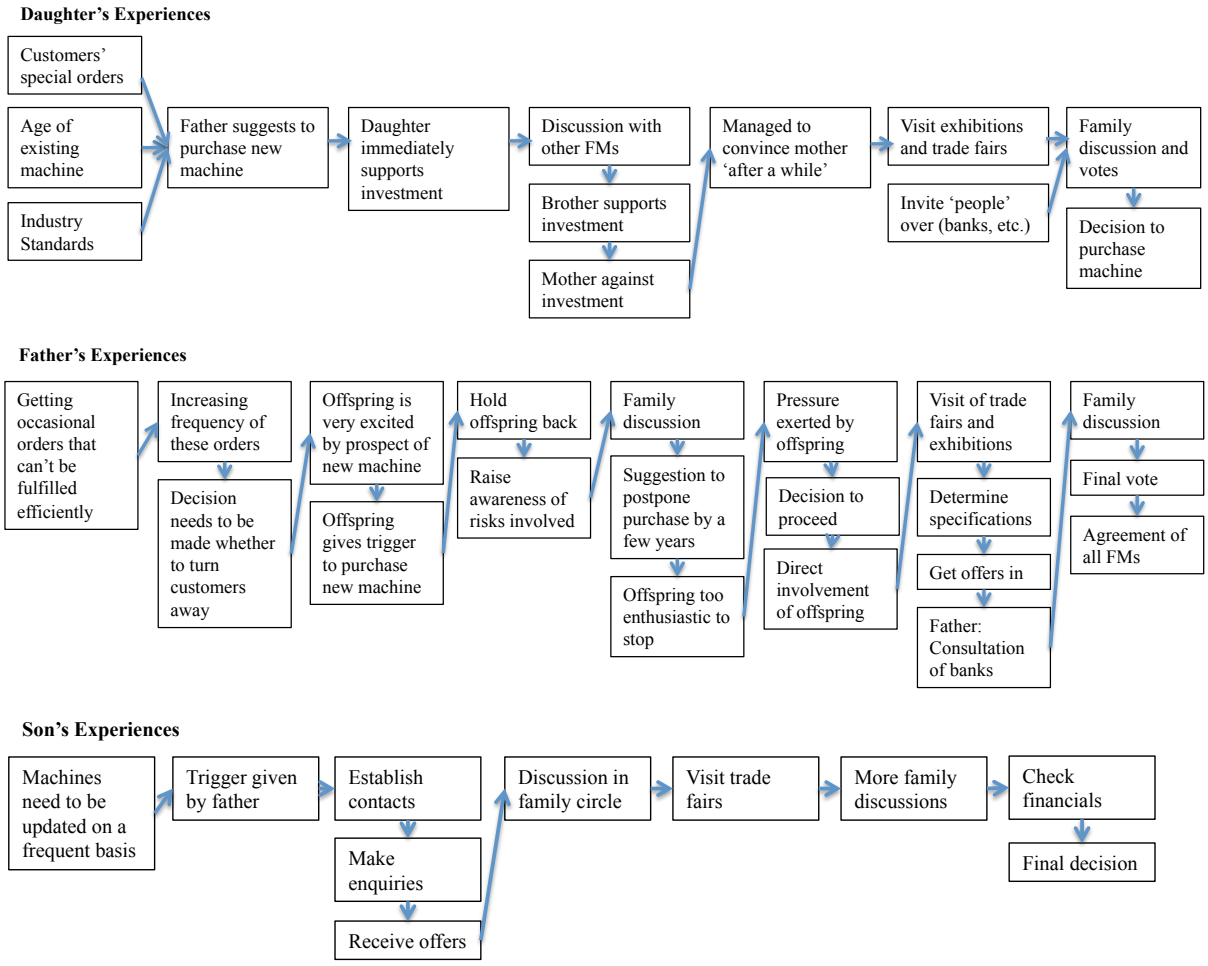
Firm 1 is a small-sized, service-oriented family firm. The company is managed and owned by a single family. The company is currently in a moment of flux. The mother has left the management team due to a work-related illness, the father is slowly approaching retirement, and both son and daughter are trying to fully establish themselves within the business in order to successfully complete transition from the second to the third generation within the next few years.

5.1.1 Case 1.1: Investment in new machinery

As outlined in Chapter 4, Case 1.1 constitutes the investment in a new piece of equipment, specifically a new printing press that has the potential to elevate the company into a new league within the printing industry.

The Empirical: Respondents' individual experiences of Case 1.1

Causal maps were produced using NVivo 8 outlining the strategic decision-making process based on each individual respondent's personal experience. The respondents' experiences are presented in the following maps.



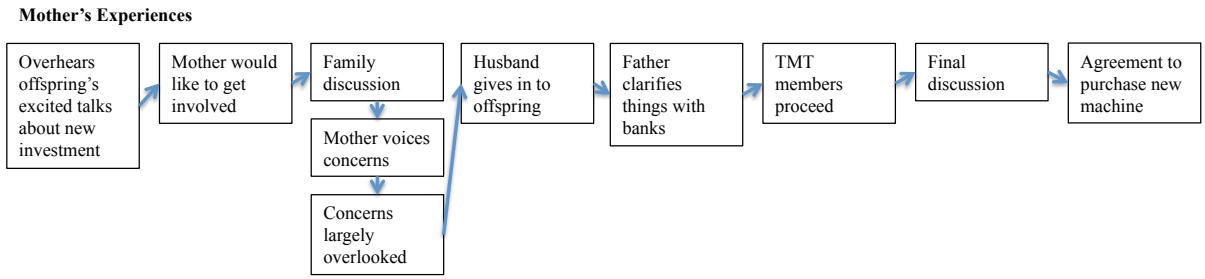


Figure 5.4: Experiences in Case 1.1: Daughter, father, son, and mother

The Actual: Events of Case 1.1

Based on the interpretation of individual family members' experiences, a causal map has been produced organising the strategic decision-making process into ten main causal events. These ten events are in the actual domain of reality and describe the process as it happened, similar to a bird's eye view, in which the specific experiences of the respondents (individual/narrow perspectives or ground view) are put into a wider perspective or context, interpreted and formed into a more comprehensive overall picture. Unlike the respondents, the researcher is able to approach the case from a fairly neutral perspective and without any predetermined views, either of the respondents or of the strategic decision. Based on the respondents' experiences and the researcher's interpretation of such, the following aggregate causal map has been produced:

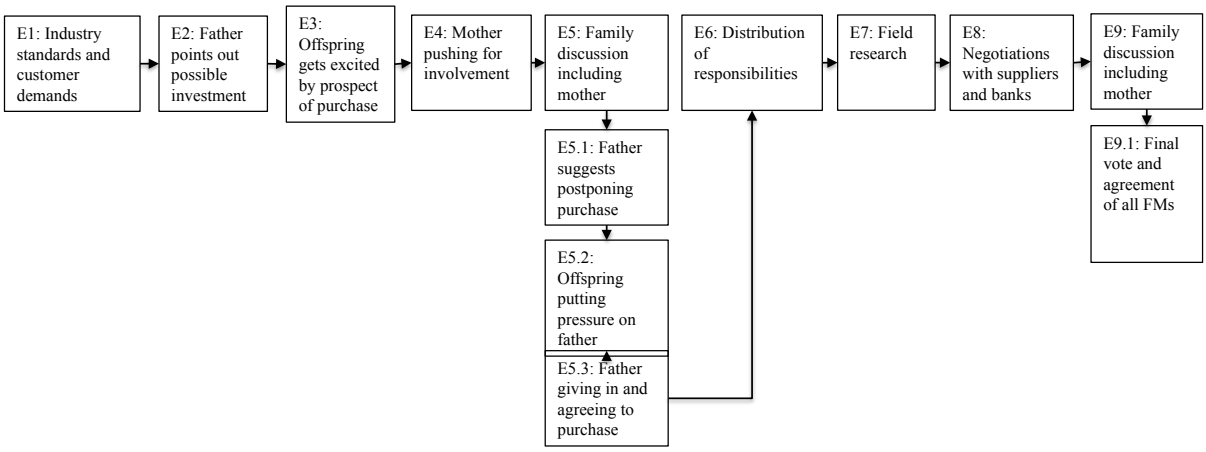


Figure 5.5: Aggregate causal map of the events of Case 1.1

Event 01 – Industry standards and customer demands: This describes the triggers for the strategic decision, based on the realisation by the father, son, and daughter that a growing number of orders could not be fulfilled in the most efficient way with the existing machinery.

Event 02 – Father suggests the purchase of a new machine: Although the problem had been realised by both father and offspring, it is the father who ultimately points out the problem.

Event 03 – Offspring get excited about the opportunity: Following the father's suggestion the offspring get extremely excited by the prospect of an immediate purchase.

Event 04 – Mother pushing for involvement: following the offspring's excitement, the mother picks up that there is something going on in the company and would like to be informed of and get involved in the decision.

Event 05 – Family discussion: After every member of the family (including the mother) has become aware of the situation, the family (father, mother, son and daughter) gets together in a more formal setting to discuss the options available to them.

Event 05.1 – Father suggests postponing the purchase: As part of the family discussion(s) the father suggests postponing the purchase by another two or three years, or until his partial retirement.

Event 05.2 – Pressure exerted by offspring in favour of immediate purchase: Following the father's suggestion to postpone the purchase of the machine, the offspring start to put pressure on the father to change his opinion towards the purchase. Up to that point, it had always been the father who, usually solely, decided on strategic actions.

Event 05.3 – Father gives in: Following the enthusiasm of the offspring towards the possible investment, the father finally decides to give in to the pressure exerted by his offspring.

Event 06 – Distribution of responsibilities: Following the decision to go ahead with the investment responsibilities are allocated.

Event 07 – Field research and machine specifications: After distribution of responsibilities, the management team, including father, son, and daughter, carry out field research. According to the respondents, all activities related to the field research, including visits to trade fairs, testing various models, test prints, and talks with potential suppliers, are done together.

Event 08 – Negotiations with banks and suppliers: Following the field research, talks are held with suppliers, and negotiations are held with banks to secure the required funds.

Event 09 – Family discussion: The closing family discussion and family vote can be seen as the final step in the decision-making process before the actual implementation. Here the whole family sits together, discusses the pros and cons of the decision (the investment), and whether all family members are willing to take on the financial burden and long-term commitment going along with the decision. At this stage of the decision-making process all relevant data have been obtained, specifications of the machine are finalised, talks with banks have been held, and all other research has been completed. As with the initial family discussion, the mother is involved in this discussion.

Event 09.1 – Final vote and agreement of all family members: As part of the final family discussion, the family members take a final vote as to whether or not to go ahead with the decision. The decision is unanimous, i.e. there is mutual agreement of all members of the family.

Steps 3 and 4 constitute the identification of entities and relationships. The identification of entities is partly governed by the aim of the study, that is, to explain how the family context influences strategic decisions in the family business. Thus, the entities the author is most interested in are the family entity, the business entity, and the family-business relationship entity.

The relationships within those entities may be, for example, the relationship between the individual family members within the family entity and, in contrast, within the business entity. Within the business entity, an important relationship is the relationship between the family members and the business, resulting in their possible identification with the business. Further relationships may emerge during the analysis of the empirical data. Depending on whether the relationships are necessary or contingent, the mechanisms emerging from these relationships may be used for generalisation (analytical generalisation) or only to explain a specific event.

Danermark et al. (2002) argue that the researcher needs to be confined to certain events, since it is not possible to study every detail of a social phenomenon in depth. Hence, of the above-mentioned events the following have been selected for in-depth analysis: **Event 2** (father suggests purchase) leading to **Event 3** (offspring get excited) leading to **Event 4** (mother wants to get involved) leading to **Event 5** (family discussion) leading to **Event 5.1** (father suggests postponing purchase) leading to **Event 5.2** (offspring put pressure on

father) leading to **Event 5.3** (father gives in), and **Event 9** (final family discussion) leading to **Event 9.1** (final vote).

The reason for the selection of these events is linked to the research question, that is, *how does the family context influence the strategic decision-making process in the family firm*? Whilst the events not selected for in-depth analysis largely refer to the business context only (Event 1: Customer demands and industry standards; Event 7: Machine specifications; and Event 8: Negotiations with banks and suppliers), the selected events can be seen as social interactions between the family members, providing fertile ground for possible influences from the family context.

The Real: Generative mechanisms of Case 1.1

The generative mechanisms in the real domain can be accessed via the conjunction (Bhaskar, 1975:57) of events (actual domain) and experiences (empirical domain) – a process that has been referred to as 'retroduction' (Bhaskar, 1975). To recap, generative mechanisms exist regardless of events (social interaction) and are waiting to be triggered. Consequently, specific events or the accumulation of past events can be seen as triggers for generative mechanisms (e.g. neglecting a family member can trigger the desire to be loved). Generative mechanisms emerge from social structures (entities and their relationships), and cause subsequent events to occur.

As part of the critical realist analysis a number of *possible* explanations for particular events of the strategic decision-making process are brought forward. These explanations are a product of the retroductive process based on the interview data, the researcher's personal observations, and other sources of data including online resources, the companies' websites, the press and reports. In order to find explanations for specific events, the researcher looks at the antecedent event(s), the respondents' (past) experiences and the underlying entities and their relationships to identify possible generative mechanisms that have been triggered by these antecedent event(s), causing the event in

question to happen. To identify mechanisms for Event Y, the guiding question for the retroductive process is: what mechanisms were triggered by Event X (and the accumulation of other past events) that caused Event Y to happen?

Retroductive process to uncover mechanisms causing Event 3

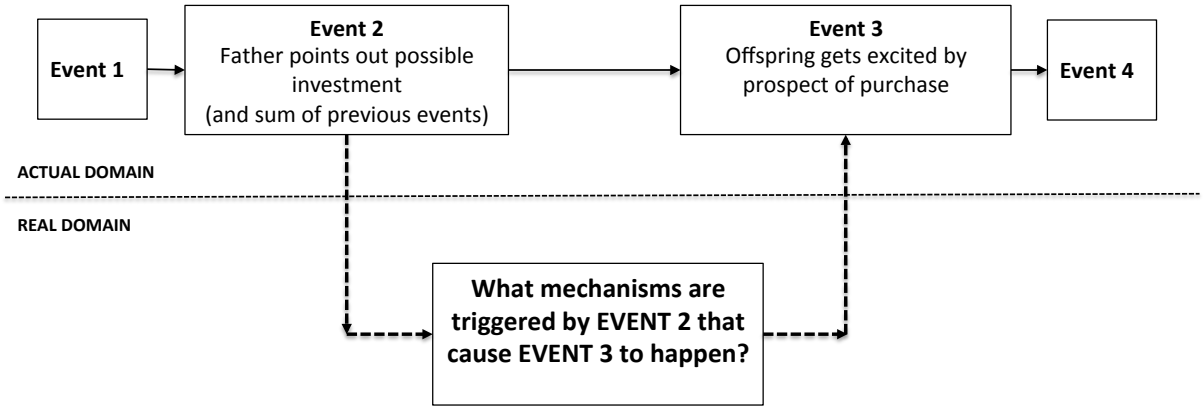


Figure 5.6: Retroductive process: Event 2 to Event 3

Although realised by father and offspring alike (Event 1), it is the father who points out the possibility of investing in a new piece of equipment (Event 2). Pointing out the possibility of purchasing a new machine causes the offspring to get excited (Event 3) (Figure 5.6).

Question guiding retroduction: What mechanisms are triggered by the father's suggestion to invest in a new machine that cause the offspring to get excited about the prospect of pursuing a new investment?

Possible explanations for Event 3:

> *Quote 1.1: "You really do get treated like a little child. And it's actually just these days, and I've been here for ten years now, that you really get accepted as their boss. Obviously, every now and then you still get to hear a comment, but that's OK." (Daughter, Firm 1, 2010)*

The above quote suggests that the offspring's excitement towards a possible new investment can be explained by the offspring's **desire to gain respect from staff**. Gaining

the respect of employees is crucial in the family firm, since family members are usually placed in management positions without having to work their way up to the top. Furthermore, the offspring in the family business are often regarded as 'free-riders' (see for example Dyer, 2003; Miller and LeBreton-Miller, 2006), increasing their need to work hard to earn the respect of the workforce and to convince the workers that they are acting in the best interests of the firm, particularly in respect to future succession. In addition, the offspring are faced with the problem that **pre-defined family structures** (parents and children) are generally reflected in the family business context, causing the desire to seize opportunities that will allow the offspring to gain respect and acceptance.

> *Quote 1.2: "Well, up until the purchase of the last machine it always was my dad, as he simply still holds the reins in his hands ... The last big decision took place about two years back ... most of that was pushed forward by dad." (Daughter, Firm 1, 2010)*

Looking at Quote 1.2, it can be seen that up to the point in time when the decision was taken it had indeed always been the father who decided on business strategy, providing the offspring with little opportunity to gain recognition within the business. The prospect of purchasing a new machine that would elevate the business into a new league within the printing industry would provide an ideal opportunity for the offspring to engage in business strategy and to live up to their given roles and responsibilities. Thus, the **desire/need to gain respect amongst staff** could explain the offspring's excitement towards the prospect (father's suggestion) of purchasing a new machine. Quote 1.3 indicates that the offspring show vested interests in **future succession** in the business.

> *Quote 1.3: "If someone came up to me today and asked whether I wanted to sell for any price, I would never sell. I love coming in here every single day, I just love it. I would never sell." (Daughter, Firm 1, 2013)*

It is suggested that the **offspring's desire/need to gain respect**, in turn, derives from their desire to succeed in the business. With the father's retirement in sight, the offspring need to have respect and acceptance from their workforce in order to ensure a positive working environment based on trust in the management, which will benefit future working attitudes

and ultimately impact on business performance. In order to achieve this, the offspring are expected to work hard and **fulfil their roles and responsibilities**.

> *Quote 1.4: "Well, there are quite a lot of older employees, where you really need to work hard to gain their respect, whereas I never gave the impression of being higher up, even today I don't really show a boss attitude, but you need to fight hard and you need to prove yourself. You are always expected to work harder, which I guess is normal." (Daughter, Firm 1, 2010)*

Hence, pursuing the decision would enable the offspring to gain respect amongst the staff by **fulfilling the staff's expectations** arising from the offspring's roles and responsibilities and in respect of their future succession.

Therefore, the prospect of purchasing a machine that would transform the business suggested by the father triggered a number of mechanisms, including the offspring's desire to fulfil the staff's expectations by shaping the business strategy, subsequently gaining respect and acceptance in regard to their future succession, which in turn caused the offspring's excitement towards the investment.

Event 2: Father's suggestion to look into the purchase of a new machine triggers
Possible mechanisms
Desire to succeed to the business
Desire to gain respect and acceptance from staff
Need to fulfil expectations of staff
Mechanisms cause Event 3: Offspring's excitement towards the prospect of the investment

Table 5.1: Possible explanations for Case 1.1, Event 3 – (1)

The offspring's excitement about the prospect of purchasing a new machine may also be explained by their **desire to fulfil their parents' expectations**. Such a desire can be linked to the concept of **achievement motivation**. Achievement motivation is the "reintegration of affect aroused by cues in situations involving standards of excellence" (Rosen, 1961:574). Such standards are usually taught and reinforced by parents urging their children to achieve to these standards, rewarding them for good performance and vice versa (Rosen, 1961). Children tend to internalise such standards of excellence and re-experience the associated affect when these standards are met. The standards are generally based on **values and norms** resulting from the family's history and experiences. People

with strong achievement motivation are usually characterised by general competitiveness and persistent striving to perform well (Rosen, 1961), which finds support in the mother's statement about her daughter:

> *Quote 1.5: "[The daughter] is very particular about everything, she is extremely correct with the customers she looks after and she wants to give 150% in everything she does, and that has made big demands on her at times." (Mother, Firm 1, 2010)*

Achievement motivation can therefore be seen as a **perceived obligation to fulfil the parents' expectations**, deriving from the offspring's strict upbringing in the family firm context. Rosen (1961) argues that achievement motivation can be facilitated by various socialisation practices, including achievement training and independence training. In the latter, parents teach their children to be self-reliant in situations where they strive to achieve standards of excellence; this involves the parents granting autonomy in problem-solving and decision-making situations, and giving the children both freedom of action and the responsibility of failure.

> *Quote 1.6: "My children didn't get any pressure ... they finished their schooling. [The son] was almost always in the firm, when he had time to be or during holidays, helping me out, watching me, obviously also daffed about during his teenage years, but he's always been on that track of I'd like to do that, too. Yes, and he used to be particularly interested in the creativity part within pre-press, and obviously in the fact that there used to be a lot of technology, computers and things like that, that used to fascinate him right from the beginning." (Father, Firm 1, 2010)*

Achievement training includes setting high attainment goals and indicating the high evaluation of competence when a task has been done well, even in situations where no explicit standards have been set. Both can often be found in families owning and managing family firms, with the offspring generally being involved in business life from early childhood, throughout their teenage years, and working alongside their parents during adulthood. Consequently, **achievement motivation** is thought to be particularly present in

the family firm, where the offspring acts under the watchful eye of their parents, i.e. where familial structures are transferred into the business context.

A possible explanation for Event 3 might therefore be that the father's suggestion to purchase a new machine may have triggered the offspring's desire to fulfil their parents' expectations, deriving from their desire to achieve well in order to receive praise (love and respect) for their behaviour.

Event 2: Father's suggestion to look into the purchase of a new machine triggers
Possible mechanisms
Desire for love and respect
Achievement motivation
Desire to fulfil parents' expectations (perceived obligation)
Mechanisms cause Event 3: Offspring's excitement towards the prospect of the investment

Table 5.2: Possible explanations for Case 1.1, Event 3 – (2)

However, there might also be a more **real obligation to fulfil the parents' expectations**, which derives from the **roles and responsibilities** the offspring have within the family firm.

> *Quote 1.7: "Both kids are partners and directors by now, I assigned them shares, therefore they need to be able to make a decision based on the responsibility they carry." (Father, Firm 1, 2010)*

The offspring's desire to fulfil their **roles and responsibilities** in the family firm context may derive from a variety of underlying mechanisms, deriving in turn from both the family business context and the family context. With regard to the former, the offspring face the need to position themselves for succession. In order to do so, they need to convince their father that they are able to fulfil their roles and are willing to take on responsibility. The opportunity to do this is provided by the father's suggestion to purchase a new machine.

Event 2: Father's suggestion to look into the purchase of a new machine triggers
Possible mechanisms
Family norms and values
Desire to fulfil parents' expectations
Desire to fulfil roles and responsibilities
Mechanisms cause Event 3: Offspring's excitement towards the prospect of the investment

Table 5.3: Possible explanations for Case 1.1, Event 3 – (3)

Various statements made by the individual family members suggest that there are strong **hierarchical structures** within both the family and the family firm, with the father as the sole decision-maker.

> *Quote 1.8: "They complement each other extremely well, as she handles the financial side, accounting and finances, customer relations, and [son] is engaged in the technical side. Well, and I basically hold the strings together." (Father, Firm 1, 2010)*

> *Quote 1.9: "My dad didn't actually really give me a choice in what I wanted to train for after school, that's actually quite crass. But he just said, 'you go to a tax advisor'! I was rubbish at accounting." (Daughter, Firm 1, 2010)*

> *Quote 1.10: "My husband … was the one who said, you know, I am the financial expert in this, I look after the finances and I calculated this and it looks like this and we have to manage that. And yes, in the end I have been outvoted, I'll just put it like that … but I also notice that I can rely on [the father] in this respect [to deal with the finances effectively]." (Mother, Firm 1, 2010)*

Family members often operate within certain **hierarchical structures** that have generally been established from infancy (Cox and Paley, 1997; Hinde, 1989). Such hierarchies are defined as intergenerational boundaries between parents and offspring, reflecting the power structure of the family (Faber, 2002). They are crucial for family functioning, and well-functioning families are thought to have clear **intergenerational boundaries** separating parents and offspring (Nelson and Utesch, 1990). Arising from these boundaries may be respect for the parents and trust in what they do and say. As strong hierarchies represent an important foundation of family organisations (see for example Hartup, 1989),

they are expected to be deeply seated within the family members' belief systems and may therefore be reflected in the family business setting.

However, in order to succeed and gain acceptance in the business context, the offspring will eventually have to **break down existing hierarchical structures**. With the father approaching retirement, his suggestion to invest in a new machine can be regarded as an invaluable opportunity for the offspring to engage in decision-making and to take on responsibility in co-shaping the family firm's strategy.

Thus, the father's suggestion to invest in new equipment may have triggered the offspring's desire to slowly remove the hierarchical structures stemming from the family context by fully engaging in business strategy.

Father's suggestion to look into the purchase of a new machine triggers
Possible mechanisms
Desire to be successful in the business
Desire to break down hierarchical structures
Mechanisms cause offspring's excitement towards the prospect of the investment

Table 5.4: Possible explanations for Case 1.1, Event 3 – (4)

A further explanation of what caused the offspring to get excited by the prospect of investing in new equipment can be based on established **family norms and values**, social ties, the concepts of love and care towards members of the family, and an expected long-term commitment to loved ones.

Norms are generally regarded as legitimate, socially shared guidelines to accepted and expected behaviour (Birenbaum and Sagarin, 1976). They can be seen as standards against which members of a group can evaluate the appropriateness of social behaviour. As such, social norms are powerful mechanisms for social control, and fundamental to human behaviour (Bettenhausen and Murnighan, 1991). Within a family, norms develop as family members interact and share experiences by carrying out daily family routines together, sharing common rituals, and building a "deep reservoir of common history" (Broderick, 1993:1989). In family systems, norms might include internalised sets of accepted behaviour for members of the family (Hoffman et al., 2006), common belief systems that have been developed over generations and from common experiences (Adler and Kwon, 1999), and shared knowledge, visions, meanings, and normative value orientations (Nahapiet and Ghoshall, 1998). The closer the relational ties between the members of the group, the stronger the manifestation of such norms both within the group and in the

individual members' belief systems. Even without explicit recognition or discussion, norms can still wield considerable behavioural force (Bettenhausen and Murnighan, 1991). Due to the close family-business relationship and the reflection of the familial setting in the firm, the family firm provides fertile ground for deeply-seated **value systems**.

A manifestation of such norms and values is reflected in the **love and care for fellow family members,** that is, the mutual understanding of family members to care for each other and to create a social environment in which the other family members feel safe. Such behaviour is generally embedded in the behaviour of the individual family members. In Case 1.1, this might be the father providing work for his children and wife by placing them in top management positions. In doing so, the father accepts the risk of mismanagement of the company and loss of personal welfare in favour of the welfare of the children and the family in general.

> *Quote 1.11: "Yes, I had to give up responsibilities. That's obvious ... At that time I would have, well, if I'd still been on my own, or if I hadn't had kids, I would have sold the whole thing." (Father, Firm 1, 2010)*

In return, children are likely to **care for the wellbeing of their parents**. One way of doing so, at this point in time, whilst the father is still fully engaged in the business, albeit fairly close to his retirement, is to provide assurance that there is a desire to take on long-term responsibility for the family business. This commitment may be shown by taking work from the father and relieving the parents from long hours in the firm, or by showing full engagement in the family firm's management and subsequently making it easier for the parents to take a step back and work towards retirement.

> *Quote 1.12: "This [offspring coming into the business] was at a time when we had just reached a size where I was at the edge of my capabilities, when I sometimes really didn't know anymore how to handle it all ... Saturday and Sunday were all about desk work, where you really worked on all the stuff that had piled up during the week, as you just didn't manage to do anything ... Well, and this time I was obviously very happy that I was able to step back a little ... it really used to be 360 days a year with us spinning the wheel, and that's how it worked, well, and it's obviously a completely different kind of work today." (Father, Firm 1, 2010)*

Hence, the prospect of investing in a new machine may provide an opportunity for the offspring to return the love and care they have received from their parents and to indicate their full commitment to the future of the family firm. This might explain the offspring's excitement when faced with the father's suggestion of investing in the future of the family business.

Event 2: Father's suggestion to look into the purchase of a new machine triggers
Possible mechanisms
Recognition of family norms
Desire to show love and care for parents
Desire to provide security for parents
Desire to indicate full engagement in business matters
Mechanisms cause Event 3: Offspring's excitement towards the prospect of the investment

Table 5.5: Possible explanations for Case 1.1, Event 3 – (5)

Another explanation of why the offspring got excited by the prospect of purchasing the new machine is related to the concepts of succession and learning. Suspecting that their father is thinking of slowly retiring from the business, the offspring are aware that they will have to use chance to **gain experience and learn from their father in order to succeed to the business.**

> *Quote 1.13: "The future plans are basically the plans of my kids." (Father, Firm 1, 2010)*

> *Quote 1.14: "Yes, we had really said we wanted to do a bit less when we were 55, but at the moment it just doesn't work." (Mother, Firm 1, 2010)*

Tsoukas (1996) argues that in order to make succession successful, the successor is required to attain a number of vital skills and pieces of knowledge. This familiarisation process ideally starts with the offspring entering the business, leading to a progressive transfer of tacit knowledge (Cabrera-Suarez et al., 2001). The development of these specific capabilities is highly important as it results in higher acceptance and increased credibility of the successor and the strengthening of important relationships within the family firm (Cabrera-Suarez et al., 2001). Important strategic decisions within the business provide an ideal opportunity for successors to learn the skills necessary to lead the business

and to apply and test already-acquired knowledge. However, such major decisions tend to occur on a rather infrequent basis (approximately every three to five years) – and considering the timeframe in which offspring and parents are able to share the management of the firm, the number of **opportunities providing depth with regard to the learning experience is limited.**

> *Quote 1.15: "We bought the new building out here in 1982, and from that time onwards we basically extended one or the other part every few years, and the last one, when the kids were actively involved, took place from 2003, 2004, when we decided we had to do something, again, we've really got to max out our lot now and extend in a way that we will hopefully have peace and quiet for the next 20 years to come ... Well, and the next big decision, whether we need a new printing press, which costs 2.5 million euros [in 2008] ... this machine will run for the coming eight or ten years, again." (Father, Firm 1, 2010)*

As a result, it can be assumed that the offspring are waiting for major decisions to occur, since the process of the decision will still be supervised by the parents and the responsibility of the outcome will be shared. Having been in the business for over 30 years and having led the business from near bankruptcy to its current well-established position in the high-end printing market, the parents provide an invaluable **source of knowledge and experience**.

> *Quote 1.16: "Despite the delicate state in which the printing industry is currently, that'll change again too. Times like that, as I said before, I've been in the business for more than 30 years as a director, and I've experienced times like that at least three or four times ... the oil crisis ... then the crisis in the eighties ... it's always up and down ... And approximately every ten years there's a downward slope, and you simply need to be able to survive it." (Father, Firm 1, 2010)*

> *Quote 1.17: "Now in this critical time, the young people simply notice how important the parents are in the background. The experience is just there, and you can support them and they are aware that they are not completely alone yet, and when there's an emergency we are simply there." (Mother, Firm 1, 2010)*

As suggested by the mother, the offspring value their parents' presence and advice. This indicates that the prospect of investing in new equipment may have triggered the offspring's **desire to learn from their parents** with a view to their future succession; this offers a possible explanation for the offspring's excitement.

Event 2: Father's suggestion to look into the purchase of a new machine triggers
Possible mechanisms
Desire to succeed to the business
Desire to learn and gain experience
Desire for guidance (from father)
Mechanisms cause Event 3: Offspring's excitement towards the prospect of the investment

Table 5.6: Possible explanations for Case 1.1, Event 3 – (6)

Further explanations for the offspring's excitement may be found in the **relationship between the family members**, their emotional closeness to each other and the family's life history. The relationship between the family members can be regarded as exceptionally strong, with parents, offspring, and members of the wider family both working and living together.

> *Quote 1.18: "The family is still the strength [of the business]. Right, and at times we have had seven of our own working at our firm, so seven from the family, my brother or his [the husband's] sister, brother-in-law, well, were all there, mother-in-law, and it wasn't always easy and nevertheless everybody said yes, hang on, how do you do that?" (Mother, Firm 1, 2010)*

> *Quote 1.19: "The house [private home] as well as the large garden enables each of us to get some private space, if wanted. However, usually we all sit together, have coffee, or heat up the barbecue. These are the most precious moments, when the whole family is together." (Father, Firm 1: Grothe, 2010:29)*

However, despite living together, these moments when the whole family finds time to get together in private are rare due to the sacrifices the individual members of the family make for the business. From early childhood, the family members' **lives revolve around the business,** leaving little quality family time.

Quote 1.20: "We had to work day and night to handle all the responsibilities and to prevent ourselves from sinking." (Grandmother, Firm 1: Source: Grothe, 2010:26)

Quote 1.21: "In early times the entire family used to work in the firm. All the kids were on board, but I usually enjoyed it. I never felt forced to help out." (Father, Firm 1: Source: Grothe, 2010:26)

Quote 1.23: "We had to basically raise ourselves. We knew mum wouldn't come back before 6 or 7pm, so we needed to take care of things ourselves. I think this strong family cohesion with all its advantages and disadvantages has shaped me until today." (Father, Firm 1: Grothe, 2010:26)

Quote 1.25: "I've been at the firm on Saturdays, and I was there Sundays, too. Saturday and Sunday were all about desk work, when you really worked on all the stuff that had piled up during the week, as you just didn't manage to do anything. And at this time my wife used to work with me, too, all day long, and she really paid for it the hard way with a burn-out, and as I said, she hasn't been in the business for a few years now, but is now recovering, up to the point where she occasionally comes in in the afternoons and to help out [the daughter]." (Father, Firm 1, 2010)

Quote 1.26: "Well, for me the extreme thing was that there was no regular spare time, always time pressure, together with grandma cooking for seven people at lunchtime. Well, I became so ill, my body sent me symptoms that nobody knew. They suspected MS and I went to hospital in Ulm, and, yes, when the two of them were there, then I was able to let go without having a bad conscience, so I just knew the whole thing was up and running, exactly." (Mother, Firm 1, 2010)

It can therefore be assumed that the constant pressure from the business has taken its toll on family relationships, family members' private lives and subsequently the offspring's childhood and youth.

Quote 1.27: "I don't know how far [the daughter] intervened there, but the little reproaches or the things where she says, what did I really get out of the family, or I also missed that [the normal family life]." (Mother, Firm 1, 2010)

Quote 1.28: "And first and foremost, also, when you are really together with the whole family from dawn to dusk, eat lunch together, well, I believe that no matter where you are, at the end of the day it is about the business." (Mother, Firm 1, 2010)

Hence, the family can only actually spend time together when undertaking business projects, such as the purchase of the new machine, since such purchases allow the family members to be together and work alongside each other, possibly providing a welcome change from their daily business and short encounters in the hallway.

Quote 1.29: "You take a look at the machine, you drive up to Heidelberg and their printing centre, take a look at the machine, do a sample order, visit the trade fair, the DRUCKMA in Düsseldorf, take a look around for a couple of days and look at a few other suppliers. We did all of that together, basically we went to every place together and each of us put in our twopenn'orth and brought in ideas." (Father, Firm 1, 2010)

Accordingly, in some regards the business trip can be seen as a replacement of a family holiday, where the offspring are able to spend some time with their father away from the familiar business surroundings. Hence, the offspring's desire to spend time with their father away from the familiar business context may provide another explanation for the offspring's excitement.

Event 2: Father's suggestion to look into the purchase of a new machine triggers
Possible mechanisms
Desire for love and care
Desire to spend time with father/parents
Mechanisms cause Event 3: Offspring's excitement towards the prospect of the investment

Table 5.7: Possible explanations for Case 1.1, Event 3 – (7)

Self-interest and egocentric behaviour may provide a different explanation for the offspring's excitement following their father's proposal to invest. In this respect, the offspring's excitement may be interpreted as **self-serving behaviour**. The investment in new equipment would substantially raise the competitive edge of the family firm. Due to

the close link between the business and the family and the family's strong identification with the business, the family's social status and recognition would increase in accordance with the business's competitive position within the local region. Thus, particularly in a close-knit local community such as the one in which the family firm is based, business success is likely to translate directly into social influence and status. However, due to the high cost of the new machine and under consideration of the father's retirement plans, only the offspring would profit from the investment, whilst the parents would have to take on the majority of the risk involved in the investment (the father still owning the majority stake in the business).

In this regard, Miller and LeBreton-Miller (2006), for example, argue that family management can be dangerous and lead to **excessive risk taking**, which is supported by Sitkin and Weingart (1995), who suggest that risk aversion increases with a possible threat to assets and the individuals' perception of risk. Sitkin and Pablo (1992) link this to the concept of prospect theory (Kahneman and Tversky, 1979) and suggest a negative correlation between perceived risk and the making of risky decisions. Due to the current risk distribution in Case 1.1, and considering that the offspring have never experienced difficult times in the business, it can be assumed that the offspring perceive decisions involving substantial financial investment as less risky than their parents, who have been through various crises before, experiencing both the highs and lows of owning a family firm.

> *Quote 1.33: "Well, since I have been in this company I have always been the more sceptical party, who really always wants more security, because I just know, eh, as I told you, I came into this family blind, and only then did I realise how difficult it really is to have a business like this and how you have to fight, and at the beginning it was really horrible and my father-in-law died so soon and we were relatively young and really the business was, I'll say it like this, finished. We should really have had to file for bankruptcy. And there really were many sleepless nights, or problems where you said now, you won't manage that now." (Mother, Firm 1, 2010)*

The offspring's lower perception of risk can also be linked to age. The lower perception of risk is further reflected in the way the offspring describe the decision in comparison to their parents. While the parents clearly outline and specifically address the risks associated

with such a purchase, their children describe the investment of 2.5 million euro as a very rational process.

> *Quote 1.35: "You do obviously have your thoughts … the question here was, can we really handle it, can we take this quantum leap, or would we rather remain in a smaller state, yeah, and they really beamed with energy, this is when I had to hold them back rather and said, think carefully, that's a massive amount of cash, but they said, no, and we'll try, and we'll do it, and we'll be able to make it work … times are really not great for our industry at the moment." (Father, Firm 1, 2010)*

> *Quote 1.36: "Well, and in the case of the machine we obviously all decided for it, even our mother was on our side after a while. Well, and after that you go to an exhibition and take another look at the machine … various people come round, like the banks, and then you just go for it." (Daughter, Firm 1, 2010)*

> *Quote 1.37: "You first make enquiries on the side, and then interesting offers are received, and then we talk about the product or about the machine in the family circle, and we look at the figures and together we go to some demonstrations and look at the machines, yes, and then it is more or less, yes, negotiated, whether that is worthy of consideration for us and whether it fits and can be managed on the financial side, and then a decision is made." (Son, Firm 1, 2010)*

Therefore, the father's suggestion of purchasing a new machine may have triggered the offspring's egocentric or self-serving behaviour leading to the acceptance of higher risk, even under consideration of substantial threats to family assets.

Event 2: Father's suggestion to look into the purchase of a new machine triggers
Possible mechanisms
Self-serving behaviour
Acceptance of higher risk to family assets/lower risk aversion
Mechanisms cause Event 3: Offspring's excitement towards the prospect of the investment

Table 5.8: Possible explanations for Case 1.1, Event 3 – (8)

Summary of Event 2 leading to Event 3:

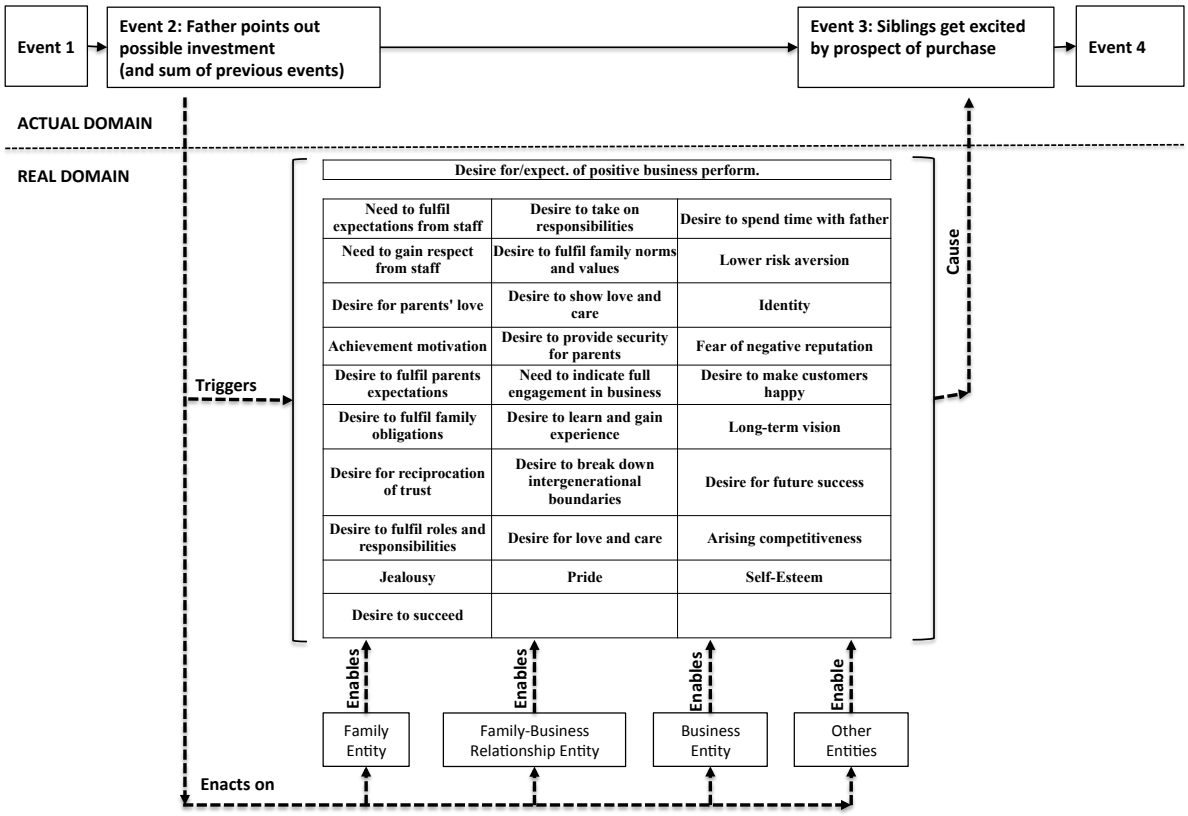


Figure 5.7: Case 1.1: Possible mechanisms explaining Event 2 leading to Event 3.

Retroductive process to uncover mechanisms causing Event 4:

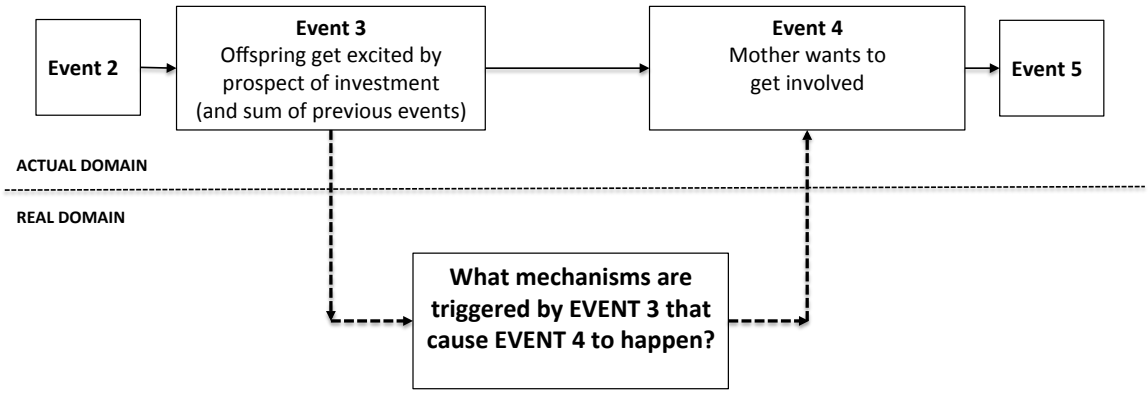


Figure 5.8: Retroductive process: Event 3 to Event 4

Following the offspring's excitement (Event 3), the mother picks up that there is something going on in the company and would like to be informed and get involved in the decision-making process (Event 4) (Figure 5.8).

Question guiding retroduction: What mechanisms are being triggered by the offspring's excitement causing the mother's desire to get involved?

Possible explanations for Event 3:

The mother's desire to get involved in the strategic decision-making process can be explained by the set-up of the business based on the **close family-business relationship**. Dyer (2006) refers to this type of firm as "the clan family firm" (2006:265), which is characterised by strong alignment of family owners' and family managers' goals, with the family attempting to meet both firm and family needs, high degrees of trust, and enhanced communication (Habbershon and Williams, 1999) amongst family members resulting in the firm's ability to leverage the family's human, social, and financial capital.

> *Quote 1.39: "There were difficult years, hard years, lots of going without, but on the other hand just also a bit of pride in what you have built up and <u>how you achieved it together</u>, and however tight things were, somehow <u>we always managed it</u> and really <u>we did it together.</u>" (Mother, Firm 1, 2010)*

Quote 1.40: "If there's an emergency I am there anytime ... I still have to know, or do know what's going on." (Mother, Firm 1, 2010)

The close relationship between the family members combined with the involvement of all family members in the business creates a strong **sense of belonging**. The business thus provides the centre point of family life, with all family members, across all generations, spending most of their time physically or mentally within the business context. In other words, **family life revolves around the business context**.

Quote 1.41: "There's a holiday when there's been a bank holiday on a Thursday, so Thursday, Friday, Saturday, Sunday, four days, that's all you got, so it really used to be 360 days a year with us spinning the wheel, and that's how it worked." (Father, Firm 1, 2010)

Quote 1.42: "Then we talk about it, why, what reason, what do we do it for, and these are always these conversations at the lunch table or when we are together in the evening." (Mother, Firm 1, 2010)

Quote 1.43: "And then we discuss, usually on weekends when there's no one around." (Daughter, Firm 1, 2010)

Due to her illness, the mother has been cut out of the business and subsequently lost a substantial **role within the family-business construct**. As outlined earlier, in Firm 1 the boundaries between business and family are blurred. The family firm constitutes an integral part of the family, and family life happens in and revolves around the business. The mother's loss of her position and role within the business can almost be perceived as an **exclusion from the family clan (Familienbande)**. By losing her grasp on current issues and happenings in the family firm, the mother loses her ability to contribute as an informed member at lunch and dinner discussions. Exclusion from these daily discussions may, in turn, trigger **fears of exclusion**. Hence, when picking up the offspring's excitement, such fears of exclusion may have been triggered resulting from the mother's underlying **desire to be part of the family clan/team**. The mother's desire to get involved is indicated by the following quote:

Quote 1.44: "Yes, and then I am aware of that and then I say what's going on, what's pending again, I want to know that too now, tell me please, yes … Now it is really the main point that I still utter my concerns, or I want to be there when it is being discussed." (Mother, Firm 1, 2010)

Consequently, it can be argued that the mother's desire to get involved is caused by the strong familial bond between the family members, which is both reflected in and determined by the business context, leading to the mother's desire to be a valued member of the family clan and her resulting fear of exclusion (after being cut out of the business due to her illness). These mechanisms causing the mother's desire to get involved are triggered by the offspring's excitement, which is picked up by the mother.

Event 3: Offspring's excitement (and previous events) triggers
Possible mechanisms
Familial bond (Familienbande)
Desire to be part of the familial bond
Fear of exclusion
Mechanisms cause Event 4: Mother's desire to get involved

Table 5.9: Possible explanations for Case 1.1, Event 4 – (1)

Another explanation for the mother's desire to get involved in the decision-making process may be offered by the concept of **identity**. Identification with a group that reflects individuals' beliefs, values and personal identity provides the individual with psychological security (Swann, Stein, Seroussi, and Giesler, 1992). For individuals within the group, organisational or family identity can be regarded as both a sense-making (Fiol, 1991; Nag, Corly, and Gioia, 2007; Weick, 1995) and sense-giving tool (Ravasi and Schultz, 2006). Generally, the closer the relational ties within a group, the stronger the identification with the group, since with the increasing strength of ties, the values and norms belonging to the group will gain in meaning and importance for individual members of the group. Due to the general closeness of ties amongst family members, family identity can be regarded as relatively powerful in shaping an individual's values and belief systems (Zellweger et al., 2010). The sense of identity and identification with the family business can be seen as particularly strong for family members when the business carries the family name (Tagiuri and Davis, 1996). How strong an influence identity can have is shown by Landsberg (1999), who states that 25% of family business owners who sold their firms

later tried to buy them back. Having spent a substantial part of her life in the business, going through the highs and lows, making substantial personal sacrifices for the benefit and survival of the family firm, and having the entire family engaged in the business, the mother's identification with the business can be regarded as particularly strong. As such, up until the mother's illness, which forced her to retreat from her position in the family firm, the business had been a substantial part of the mother's life, giving meaning to her actions and defining her as a person within the family and the firm:

> *Quote 1.45: "Because I really worked everywhere, well, down here I could operate every machine, I know what's going on and when I'm down here every noise for me is, or every machine that doesn't work, then I know, hang on, something's wrong somewhere, and then I have a look and do something and that is just lovely for the staff, oh, what's going on there, and they did really wish for that, that we supported them in that." (Mother, Firm 1, 2010)*

With the family firm carrying the family name, both family and firm being well-known institutions within the **local community,** and being referred to as one of the region's influential family clans (see `Familienbande' by Grothe, 2010), the identification of the mother (and the other family members) with the family firm and her role within the firm can be regarded as a defining factor of the family's identity. The roles of each individual family member within the business and within the family clan are synonymous with the family member's social **status and empowerment** within both the family firm context and local society. In the mother's case, the loss of her role within the business context may result in a **perceived loss of respect within the local community.**

It can therefore be argued that the mother's desire to get involved in the decision-making process may have been caused by **fear of losing respect**, which in turn derived from her perceived status and empowerment within society stemming from her role in and identification with the family firm. These generative mechanisms, in turn, were triggered by the offspring's excitement, which caused the mother's general awareness of the decision to be made.

Event 3: Offspring's excitement (and previous events) triggers
Possible mechanisms
Identification with the firm
Status and empowerment within society
Fear of losing respect
Mechanisms cause Event 4: Mother's desire to get involved

Table 5.10: Possible explanations for Case 1.1, Event 4 – (2)

Another explanation for the mother's desire to get involved in the decision-making process can be found in the notion of shame. **Shame or feelings of embarrassment and guilt** can derive from the violation of social norms and values (Elster, 1989). Up until her illness, the mother had fulfilled her roles within the family as well as within the family business in bringing up her children, caring for the wider family, and managing the family firm with her husband. In doing so, she had been complying with the **family's norms and values, contributing to the wellbeing of the family** and the success of the family business.

> *Quote 1.46: "The family is still the strength. Right, and at times we had seven of our own working at our firm, so seven from the family, my brother or his sister, brother-in-law, well, were all there, mother-in-law, and it wasn't always easy and nevertheless everybody said, yes, hang on, how do you do that? ... And I am really always the person, the mum, and, how shall I say, the point of refuge, the mediating point, the soothing point, the loving point." (Mother, Firm 1, 2010)*

> *Quote 1.47: "I really did everything. My father-in-law was also the kind of person who trusted me with everything here and also showed me everything. I also did, well in exactly the same way they put me on a team in order to solder something or to press something or when in those days there was still hot-metal typesetting, or the linotype, they just put me on that. Well, that's just how it is, when there's an emergency you are in the front line as well." (Mother, Firm 1, 2010)*

However, as a result of her illness the mother had to withdraw completely from the business, leaving the other family members, and in particular her daughter, alone.

> *Quote 1.48: "My wife used to work with me, too, all day long, and she really paid for it the hard way with a burn-out, and as I said, she hasn't been in the business*

for a few years now, but is now recovering, up to the point where she's occasionally coming in in the afternoons and helping out [the daughter]." (Father, Firm 1, 2010)

Quote 1.49: "[Daughter] then somehow felt left alone, out of her depth. She said, I need more help, I can't manage that anymore." (Mother, Firm 1, 2010)

In other words, illness has turned the mother from a hard-working family member into a 'liability', in that she could not only no longer **fulfil her role within the business and the family** anymore, but also put additional strains on other family members.

Quote 1.50: "I don't know whether he told you that I was so ill, where he saw, what something like that really, work, pressure, stress can do to a human being, and it's also clear that that puts demands on the relationship." (Mother, Firm 1, 2010)

This feeling of not being able to contribute to the functioning of the family and the business, coupled with the **perception of being a liability** to the family causing strains to the family relationships, may have resulted in feelings of shame and embarrassment. The mother's desire to get involved when overhearing her offspring's excitement about the new investment can be interpreted as the mother's desire to fight her illness by trying to engage in the business, assist her family, and contribute to the success of the firm. This, in turn, can be seen as the desire to redeem herself, that is, to make up for the troubles she has caused her family overe the past few years.

Event 3: Offspring's excitement (and previous events) triggers
Possible mechanisms
Shame of illness
Desire to fight illness
Desire to redeem oneself
Mechanisms cause Event 4: Mother's desire to get involved

Table 5.11: Possible explanations for Case 1.1, Event 4 – (3)

The mother's desire to engage in the decision-making process can also be explained by her desire to provide assistance and support for her daughter in the male-dominated family firm. This desire derives from the strong **bond between mother and daughter** as a

counterforce to the relationship between father and son. It has been suggested that there exist gender differences in the allocation of resources within the household (see for example Hess and Waring, 1978; Spitze and Logan, 1990), with mothers spending more time, devoting more resources, and having closer **relationships with their daughters**, and fathers spending more time with their sons. Similarly, male offspring tend to show a preference for the father from an early age (Lamb, 1976). Existence of such a gender divide in Family Firm 1 finds support in the following quotations:

> *Quote 1.52: "What the girls say is just generally not really taken on board … my brother and my dad say 'buy', mum and I say 'don't buy'." (Daughter, Firm 1, 2010)*

> *Quote 1.53: "She still comes to me and then she says mum, how do you see that, or yes, the men, they are just a bit different there from us women." (Mother, Firm 1, 2010)*

With the mother's retreat from the business, the daughter has been left alone with the two males, making it more difficult for her to voice her opinion.

> *Quote 1.54: "[Daughter] then somehow felt left alone, out of her depth. She said, I need more help, I can't manage that anymore." (Mother, Firm 1)*

> *Quote 1.55: "She said she can't manage that and so on, and then it was really the case that she said then, I can't do it like this and, more or less, if I don't get the support from you, then I'll quit." (Mother, Firm 1, 2010)*

Seeing her daughter fighting a lone battle in the business, the mother may have felt **guilty** for not being able to engage in her former role as a TMT member, resulting in her desire to get back into the business in order to provide assistance and moral support for her daughter.

> *Quote 1.56: "And when I didn't come at all anymore, then the wish came from [the daughter], because she really saw then, what there was in a, especially because she is a woman and a boss and has to look after all the usual, and then the wish did*

come, mum, only now do I really know what you have done, please, it is just lovely when you are there." (Mother, Firm 1, 2010)

Quote 1.57: "She [mother] is now recovering, up to the point where she's occasionally coming in in the afternoons and to help out [the daughter], and she's taking work from [the daughter] … my daughter gives orders to my wife, and how she enjoys carrying them into execution." (Father, Firm 1, 2010)

Thus, it can be argued that the mother's desire to get involved in the decision-making process may have derived from the close bond between mother and daughter, a feeling of guilt and shame for not being able to help and provide support for her daughter in the male-dominated business environment, and subsequently from the mother's desire to assist her daughter in the decision-making process.

Event 3: Offspring's excitement (and previous events) triggers
Possible mechanisms
Mother-daughter bond
Shame of illness
Desire to assist daughter
Mechanisms cause Event 4: Mother's desire to get involved

Table 5.12: Possible explanations for Case 1.1, Event 4 – (4)

Another explanation for the mother's desire to get involved in the decision-making process is offered by the notion of **motherly love**. Although motherly love is laden with prejudice from feminists, arguing that this notion stands for the woman's traditional role in childcare, subsequently implying women's subordination (see for example Tiger and Fox, 1974), research indicates that women have a biological predisposition to care for their children (Rossi, 1977).

Quote 1.58: "Now in this critical time, the young people simply notice how important the parents are in the background … they are not completely alone yet and when there's an emergency we are simply there." (Mother, Firm 1, 2010)

This mothering instinct may result in the mother's desire to help and assist her offspring in the business, for example by creating awareness of the risks associated with large

investments. In order to do so, the mother feels the need to be engaged in the decision-making process.

> *Quote 1.59: "I'm sometimes downstairs in the business again now and working alongside everybody and seeing how things go, in order to simply be there and take a look where something is amiss, or just for her [daughter] to know, all right, somebody's there again now who sees everything that's going on." (Mother, Firm 1, 2012)*

Accordingly, it can be argued that the mother's desire to be part of the decision-making process is caused by her mothering instinct and subsequently by her desire to provide help and support for her offspring.

Event 3: Offspring's excitement (and previous events) triggers
Possible mechanisms
Mothering instinct
Desire to provide help and support for offspring
Mechanisms cause Event 4: Mother's desire to get involved

Table 5.13: Possible explanations for Case 1.1, Event 4 – (5)

Social support, social networks, and the family as such can be regarded as powerful forces in coping with stress (Cobb, 1976; Dean and Lin, 1977; Husaini, 1982) and life event-related changes and illnesses (Cohen and Hoberman, 1983; Hirsch, 1980; Kaplan, Cassel, and Gore, 1977; Turner, Frankle, and Levin, 1983), and might offer possible explanations of the mother's desire to get involved in the decision-making process.

Research indicates that **self-esteem, appraisal, and belonging** play an influential role in a person's wellbeing, and it has been shown that these types of support are important in diminishing life event-related **depression**; self-esteem support in particular has also been found to diminish life event-related physical symptoms (Cohen and Hoberman, 1983). Due to the norms and values that define the institution of the family and that underpin family life, the family in its caring function can be regarded as a provider of such support. Considering the mother's illness, the mother's desire to get involved may be interpreted as a stimulus towards her family, indicating her receptiveness for support.

Quote 1.60: "Now it is really the main point that I still utter my concerns, or I want to be there when it is being discussed." (Mother, Firm 1, 2010)

Quote 1.61: "I do know that they say, we do want to lead this together after all and in order to stay competitive." (Mother, Firm 1, 2010)

Quote 1.62: "If there's an emergency I am there anytime, because I'm still so allied to it all and I can't just somehow relax or switch off at home, so I still have to know or do know what's going on." (Mother, Firm 1, 2010)

The family members have the **power to provide self-esteem, appraisal, and belonging** by including the mother in the decision-making process, that is, the provision of involvement, respect, and love (Cobb, 1976) and the reassurance of worth (see for example Weiss, 1974) boosting the mother's self-esteem and ultimately providing the base for fighting her illness.

Evidence of the mother's joy in being re-included in the business can be seen in her excitement and her tone of voice when talking about her new role in the business, showing a new sense of belonging and responsibility towards both family and staff.

Quote 1.63: "Because I really worked everywhere, well, down here I could operate every machine, I know what's going on and when I'm down here every noise for me is, or every machine that doesn't work, then I know, hang on, something's wrong somewhere, and then I have a look and do something and that is just lovely for the staff, oh, what's going on there, and they did really wish for that, that we supported them in that." (Mother, Firm 1, 2010)

Thus, it can be argued that the offspring's excitement towards the decision triggered the mother's desire to regain social acceptance and self-esteem, and subsequently her desire to take on responsibilities within the business, which in turn caused the mother to voice her desire for involvement in the decision-making process.

Event 3: Offspring's excitement (and previous events) triggers
Possible mechanisms
Desire for social acceptance
Desire for self-esteem
Mechanisms cause Event 4: Mother's desire to get involved

Table 5.14: Possible explanations for Case 1.1, Event 4 – (6)

The primary social function of the family is to ensure the **care and nurturance of its members** (Lansberg, 1983) by providing food, shelter, affection, identity, and protection – in return, each member of the family is expected to contribute to the family's overall welfare (Schulze and Gedajlovi, 2010). Family welfare can be seen as cross-generational, i.e. parents care for the wellbeing of their children, and children for the wellbeing of their parents. In the family firm context, the family firm usually provides the only or main source of income for the family. Hence, firm performance is directly linked to the financial welfare of the family and its members. Thus, when taking strategic decisions in the family firm, it is **each family member's responsibility to ensure the welfare of the family** (Taguiri and Davis, 1996). Running the business successfully for more than 30 years alongside her husband, the mother has been co-responsible for the provision of family welfare, and has learned to trust in her husband's actions.

> *Quote 1.64: "Yes, well since I have been in this company I have always been the more sceptical party, who really always wants more security, because I just know, eh, as I told you, I came into this family blind, and only then did I realise how difficult it really is to have a business like this and how you have to fight, and at the beginning it was really horrible … And there really were many sleepless nights or problems where you said now, you won't manage that now, but there was never really the thought, well we stop now, or anything like that. And we managed it like that and I have always been the one who pulled the brake." (Mother, Firm 1, 2010)*

Due to her illness, the mother had to give up the responsibility of providing for the family to her offspring.

> *Quote 1.65: "I passed on my shares to [the daughter] and I am really out of the management now." (Mother, Firm 1, 2010)*

With her always being the sceptical party when it came to new decisions, giving up her responsibilities to her offspring and having her offspring co-shape her own and her family's future welfare can be regarded as a self-sacrificing step, based on her interpersonal trust in her husband and her offspring. By trusting in the actions and behaviour of her offspring and husband, the mother willingly (or unwillingly) puts herself in a vulnerable, interdependent, and uncertain position, expecting that the other person will act appropriately and in the common interest (Rousseau et al., 1998). With regard to trust, McAllister (1995) distinguishes between **emotional and rational bases of trust**. Whilst rational trust is cognition-based and results from calculative and knowledge-based trust, emotional bases for trust are grounded in affective bonds between the parties involved. Generally, cognition-based trust can be seen as an antecedent of emotional trust, since emotional trust develops over the long-term, requiring frequent interaction and close emotional relationships. However, in the family firm context emotional bases of trust (McAllister, 1995) generally predominate between the individual family members due to their family ties, shared values and norms, goal alignment and mutual understanding of each other; cognitive bases for trust will form only later in the business context, and may strengthen emotional or interpersonal trust relationships (Sundaramurthy, 2008). Looking at the relationship between the father and the mother in Firm 1, extensive cognitive bases of trust have developed over years of managing the family firm as a team.

> *Quote 1.66: "It has also definitely happened to me that my husband called me out there, said, just quickly come into the office, put something in front of me to sign, and I didn't really know what I was signing then. So that did happen to me as well, but when you have been married this long, 35 years, then you do know, yes, he has done everything in such a way that we are covered and it will be all right." (Mother, Firm 1, 2010)*

However, as the following quotes indicate, a deep cognitive trust relationship may not yet exist between the mother and the offspring, with the mother being unsure whether her children are fully committed and able to take their own decisions, to work together as a team, and to successfully lead and manage the company:

> *Quote 1.67: "I do know that they [offspring] say, we do want to lead this ... but will our young people be able to continue this?" (Mother, Firm 1, 2010)*

Quote 1.68: "But it really isn't that easy to say, OK, eh, you have both the children now and you have children and they are interested, and they do want it, but that is really, yes, and they only experience how things really are when they are really doing things and working with one another, and above all when they are so different in temperament and personality as our two are, well that is…[long pause]" (Mother, Firm 1, 2010)

Thus, picking up on her offspring's excitement, the mother understands that there is an upcoming decision in the family firm. Always having been the more sceptical party and fearing for the **welfare of the family** whilst not entirely trusting her offspring's commitment to working together as a team and to taking fully informed decisions, the mother may have felt the urge to step in to both mediate between the two offspring and to provide guidance.

Quote 1.69: "When there is something new time and again, eh, it has always been a queasy feeling for me." (Mother, Firm 1, 2010)

Hence, it can be argued that the offspring's excitement triggered the mother's fears of a potential loss of family welfare, as well as her desire to provide guidance in the decision-making process. This may, in turn, have caused the mother's urge to push for engagement in the decision-making process.

Event 3: Offspring's excitement (and previous events) triggers
Possible mechanisms
Desire for financial security
Fear of losing family welfare (cognitive trust/distrust towards offspring)
Perceived need to mediate to avoid conflict
Perceived need to provide guidance
Mechanisms cause Event 4: Mother's desire to get involved

Table 5.15: Possible explanations for Case 1.1, Event 4 – (7)

Another explanation for the mother's desire to get involved in the decision-making process may be related to the issue of **aging and the related fear of change**. The transition from working life to retirement constitutes a life-changing step for most people, which usually

comes along with years of planning. In the case of the mother, this step happened unforeseen, forcing her to leave the family business several years prior to her planned retirement. As shown earlier, it can be assumed that the mother has built up a strong relationship with the family business.

> *Quote 1.71: "Because I really worked everywhere, well, down here I could operate every machine, I know what's going on and when I'm down here every noise for me is, or every machine that doesn't work, then I know, hang on, something's wrong somewhere, and then I have a look and do something." (Mother, Firm 1, 2010)*

Her sudden change in life may have left the mother with fears of change due to being pulled out of her familiar environment. This transition from working life to retirement, and to the unknown, may evoke fears, particularly when there is no real closure with regard to the previous life stage. Seeing her offspring getting excited at the prospect of a new investment can be seen as a reminder of her previous life as a family firm manager.

> *Quote 1.72: "I can't just somehow relax or switch off at home, I still have to know or do know what's going on." (Mother, Firm 1, 2010)*

Therefore, it can be suggested that the offspring's excitement has further increased the mother's fear of change and of her new role as a retiree, resulting in restlessness and the fear of losing purpose, causing the mother the push for engagement.

Event 3: Offspring's excitement (and previous events) triggers
Possible mechanisms
Age-related fears of change
Fear of losing purpose
Mechanisms cause Event 4: Mother's desire to get involved

Table 5.16: Possible explanations for Case 1.1, Event 4 – (8)

For the past 30 years, the mother has been part of the business, spending most of her time in the firm working alongside her husband, and more recently also alongside her children. The mother's entire social network is aligned around the business, which is indicated by a comment made by the daughter with regard to the possible disadvantages of such a close family relationship:

Quote 1.73: "Family is really important for all of us, and we all find it hard to approach others outside the family circle. This is a reason why each one of us prefers to spend our leisure time with the family rather than with others. Public social events are attended only in very rare cases or not at all. Sometimes you've just got to go there, but this is far more difficult than being amongst familiar faces." (Daughter, Firm 1, Grothe, 2010:29)

Due to her illness, the mother was force to leave her familiar surroundings and her social network. Finding it difficult to socialise with non-family members or with people outside the usual business surroundings, and with all other family members working long hours on a daily basis, it can be assumed that the mother feels lonely and excluded when on her own in the family's rural home. Having not been able to physically enter the business in years, the mother may have felt an increased desire to re-socialise both with her family, but also with the workforce, which can in some respects be regarded as the extended family circle.

Quote 1.74: "The family is still the strength. Right, and at times we have had seven of our own working at our firm, so seven from the family, my brother or his sister, brother-in-law, well, were all there, mother-in-law … you are really together with the whole family from dawn to dusk, eat lunch together." (Mother, Firm 1, 2010)

Consequently, the offspring's excitement may have enhanced the mother's loneliness and fears of exclusion, and subsequently her desire to re-socialise and to be around her family and friends, causing her to push for engagement in the decision-making process.

Event 3: Offspring's excitement (and previous events) triggers
Possible mechanisms
Fear of exclusion
Fear of loneliness
Desire to socialise
Desire to be around family and friends
Mechanisms cause Event 4: Mother's desire to get involved

Table 5.17: Possible explanations for Case 1.1, Event 4 – (9)

Another explanation for the mother's desire for inclusion may derive from her strong identification and close emotional connection with the firm, and the resulting desire to remain a part of it. Having built a successful and profitable business, the mother may view and treat the business as her 'baby'. Similar to her relationship with her offspring, the mother has built up a strong relationship with the firm, as for the past 30 years, her life (including most of her social life) has revolved around growing and running the business. The business formed the **centre point of her married life**, the family used to live in the building in which the firm was situated, and her children were literally brought up in the business. In other words, the entire **family life revolves around the business**.

> *Quote 1.75: "I really did everything … they were difficult years, hard years, lots of going without, but on the other hand just also a bit of pride in what you have built up and how you achieved it together, and however tight things were, somehow we always managed and really we did it together … and first and foremost also when you are really together with the whole family from dawn to dusk, eat lunch together, well, I believe no matter where you are, at the end of the day it is about the business. Every conversation leads to that." (Mother, Firm 1, 2010)*

Thus, it can be assumed that due to the hard work and effort that has been put into the business, the mother still wants to be part of it, partly because she takes pride in working in the business, and partly because she might view the business as her business, which she has to take care of:

> *Quote 1.76: "If there's an emergency I am there anytime … I can't just somehow relax or switch off at home, so I still have to know or do know what's going on … we really worked for this so hard … will our young people be able to continue this?" (Mother, Firm 1, 2010)*

It is suggested that the offspring's excitement triggered certain feelings in the mother stemming from her close relationship and strong identification with the business. These feelings may partly be pride in being part of the business and partly a perceived responsibility towards the business, which she might not yet want to give away completely. This in turn may have caused the mother to push for involvement in the decision-making process.

Event 3: Offspring's excitement (and previous events) triggers
Possible mechanisms
Identification with business
Taking pride in being part of the business
Perceived responsibility for the business
Mechanisms cause Event 4: Mother's desire to get involved

Table 5.18: Possible explanations for Case 1.1, Event 4 – (10)

As pointed out by both the father and the mother, the success of the family business came along with many sacrifices, including initial fears of having to file for bankruptcy, 24/7 engagement in the business with virtually no holidays or weekends, little time for their children when they were still young, and constant financial threats related to being self-employed, resulting in **high pressure to perform well, stress, conflict**, and ultimately the mother's severe **health problems**, leading to further **strains on the family relationships**.

> *Quote 1.77: "I was very lucky that my son entered the business despite these loans we had on the house we had just bought back then. And from there it went uphill. My son really worked day and night, just like his father, and I'm really, really proud of him today … my daughter-in-law [Mother, Firm 1] was very, very hard-working, too … none of my own daughters would have had the necessary ambition and determination to take on such a responsibility." (Grandmother, Firm 1; Grothe, 2010:28)*

> *Quote 1.78: "You had a holiday when there's a bank holiday on a Thursday, so Thursday, Friday, Saturday, Sunday, four days, that's all you got, so it really used to be 360 days a year with us spinning the wheel." (Father, Firm 1, 2010)*

> *Quote 1.79: "No, you can't [just go home and switch off]. And on top of that, I did everything on my own, I never had a cleaner, I did my household on my own, I did, the only thing I have always said is, the garden is my time out, but that was also work, because it was large, yes, I did everything myself there, my husband didn't see that, yes, and he didn't have the time and the interest in it … I don't know whether he told you that I was so ill, when he saw what something like that really, work, pressure, stress can do to a human being, and it's also clear that that puts demands on the relationship." (Mother, Firm 1, 2010)*

Considering the sacrifices made over the years of hard graft, combined with the mother's poor health, and with both the father and the mother approaching their sixties, it can be assumed that the mother is desperate to move on to the next stage of their lives, retirement.

> *Quote 1.80: "But many a time you stand there and think, oh no, you don't want it anymore, you really don't fancy that anymore, now we are really looking forward to doing less and letting go ... yes, we had really said we wanted to do a bit less when we were 55, but at the moment it just doesn't work ... quite simply because we really worked for this so hard." (Mother, Firm 1, 2010)*

> *Quote 1.81: "Also the relationship, well if you didn't get on as well, many a time at the weekend he, it was just important to him to have time for himself, even if it was just a sleep, right, where he lay down and said, I just can't at the moment, I don't care, you just have to walk alone, please, or some such thing, and that's why." (Mother, Firm 1, 2010)*

The statements above indicate the mother's desperation to move on, her desire for love and attention from her husband, and her wish to finally reap the returns of their work and enjoy them together. It can be argued that, triggered by the offspring's excitement, the mother is afraid of the new investment, as it will result in further commitment from her husband to the business, rather than decreasing his amount of work and working towards retirement. This **fear of further sacrificing time with her husband** to the business may lead to an increased desire for love and affection and the desire to save an already struggling relationship. Subsequently, the mother aims for inclusion in the decision-making process in order to raise her husband's awareness of her and their relationship, and to directly or indirectly coerce her husband into retirement.

Event 3: Offspring's excitement (and previous events) triggers
Possible mechanisms
Fear of further sacrifices of relationship
Desire to be loved
Desire to save relationship/spend time together
Desire to influence husband's retirement
Mechanisms cause Event 4: Mother's desire to get involved

Table 5.19: Possible explanations for Case 1.1, Event 4 – (11)

Being married and working together for over 30 years, it can be assumed that the mother has great **knowledge of her husband's behaviour**. This includes altruistic traits towards his offspring. Such behaviour can be related to the **Samaritan's Dilemma** (Buchanan, 1975), or family-oriented altruism, where the offspring's preferences take precedence over those of their parents, with the offspring ultimately becoming the masters of their parents (Hegel, 1806).

> *Quote 1.82: "Well he definitely wants to be there, but he just wanted, how shall I say now, to not be here full days anymore ... I am really a bit afraid of it ... he would like to become a grandfather, but he says then, the time is back then when he has to be there permanently again]." (Mother, Firm 1, 2010)*

By pushing for engagement, the mother aims to protect the father from sacrificing too much, that is, his retirement, health, and possibly his personal financial welfare, by committing to substantial resource involvement (human and financial), which would most likely not be recuperated before the father's retirement. Based on her love and care towards her husband, the mother aims to protect her husband (knowing that her offspring will push altruistic triggers) by pushing for personal involvement in the decision-making process.

Event 3: Offspring's excitement (and previous events) triggers
Possible mechanisms
Love and care
Desire to protect husband
Mechanisms cause Event 4: Mother's desire to get involved

Table 5.20: Possible explanations for Case 1.1, Event 4 – (12)

Summary for Event 3 leading to Event 4:

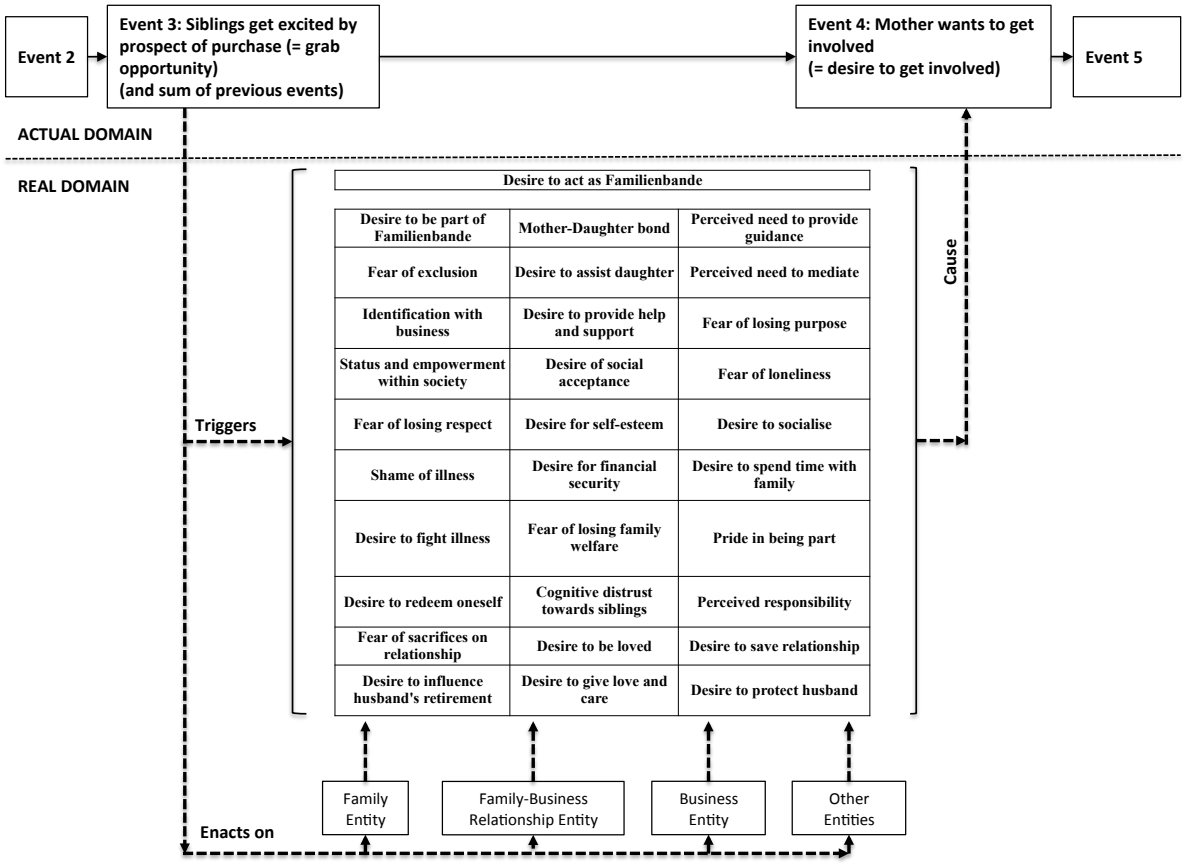


Figure 5.9: Case 1.1, Possible Mechanisms explaining Event 3 leading to Event 4

Retroductive Process to uncover mechanisms causing Event 5:

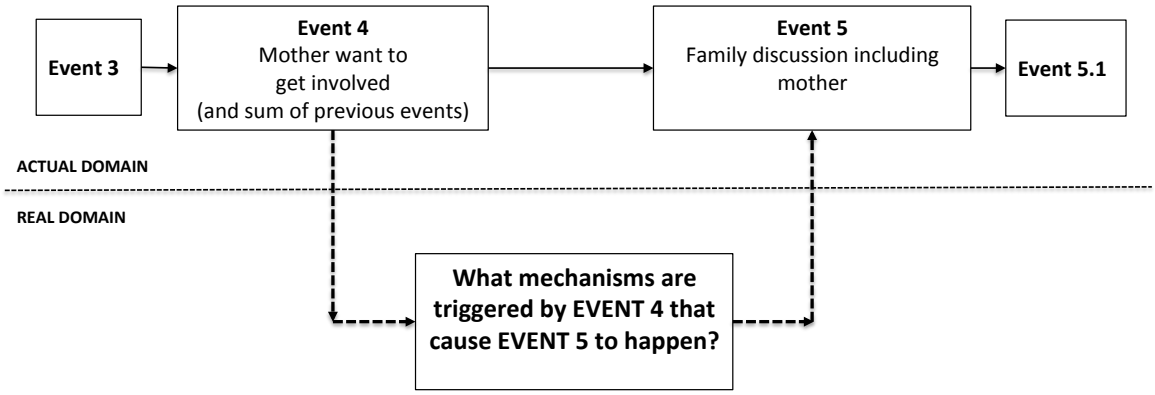


Figure 5.10: Retroductive process: Event 4 to Event 5

Although the mother is not part of the TMT anymore and has, at this point in time, not been working in the business due to her illness, she is still accepted as part of the firm (Event 4) and the other family/TMT members are happy to include her in the decision-making process (Event 5) (Figure 5.10).

Question guiding retroduction: What mechanisms are being triggered by the mother's desire to get involved that cause the family members to involve her in the decision-making process?

Possible Explanations for Event 5:

A possible explanation of why the mother has been included in the decision-making process is the mother's role as a **mediating force**. This can be linked to the concept of **consensus**. Consensus can be defined as "the agreement of all parties to a group decision" (Dess and Origer, 1987:313).

> *Quote 1.83: "I am really always the person, the mum, and how shall I say, the point of refuge, the mediating point, the soothing point, the loving point, yes, it's always like this then, that I want harmony in here and say, now come, take a look, you have to, you should give in, and so on." (Mother, Firm 1, 2010)*

Quote 1.84: "Many issues lead to heated discussions. Different perspectives and differences are usually discussed with [mother]. She mediates disharmonies and finds solutions that suit everyone." (Grothe, 2010:29).

Consensus amongst family members is especially important in family firms, since due to the close relationship between the family and the firm, conflict in the business is likely to spill over into the family context and vice versa, particularly with all the family members working together and living under the same roof. In addition, consensus amongst the family members is desirable because consensus will contribute to stronger identification with the group (Janis, 1972), greater satisfaction and future motivation (Fredrickson and Ianquinto, 1989), and better coordinated actions (Bourgeois, 1980; Child, 1972). Consensus amongst the TMT, in turn, is likely to positively affect staff motivation, since the TMT is displaying confidence in the action taken. In Firm 1, **conflicts** are partly **gender-related**, with the daughter generally disagreeing with her brother.

Quote 1.85: "Yes, particularly because the two of them [son and daughter] are so different, that is really so … I keep saying it's a real love-hate relationship, like, they are also incredibly attached to one another, but two such opposite characters meet there … she [daughter] still comes to me and then she says mum, how do you see that, or yes, the men, they are just a bit different there from us women." (Mother, Firm 1, 2010)

Quote 1.86: "[The son] usually agrees when there's anything new to purchase, well, and I just view it from the financial side … my brother and my dad say 'buy', mum and I say 'don't buy' … but what the girls say is just generally not really taken on board." (Daughter, Firm 1, 2010)

Hence, the mother is seen as a point of refuge, solving arising problems, keeping the family together, and ultimately leading to new motivation and the willingness to proceed.

Quote 1.87: "And when I didn't come at all anymore, then the wish came from [the daughter], because she really saw then, what there was in a, especially because she is a woman and a boss and has to look after all the usual, and then the wish did

come, mum, only now do I really know what you have done, please, it is just lovely when you are there." (Mother, Firm 1, 2010)

The data indicate that due to the usually pre-programmed conflicts between the offspring, combined with the desire to reach and maintain consensus within the family, there exists a general desire to include the mother in the decision-making process as a mediating force or point of refuge.

Event 4: Mother's desire to get involved (and previous events) triggers
Possible mechanisms
Gender conflicts
Desire to reach consensus
Need for mediating person
Mechanisms cause Event 5: Family discussion including mother

Table 5.21: Possible explanations for Case 1.1, Event 5 – (1)

The inclusion of the mother in the decision-making process can also be interpreted as a sign of **respect** for the mother, resulting from the **family's norms and values**. In the case of Firm 1, the mother has always been a crucial part both of the family and the business.

Quote 1.88: "By and large I think I have told you everything, they were difficult years, hard years, lots of going without, but on the other hand just also a bit of pride in what you have built up and how you achieved it together, and however tight things were, somehow we always managed and really we did it together." (Mother, Firm 1, 2010)

At the same time, the family as such is seen as the strength of the business: due to the close relationship between the family and the business, being part of the family means being part of the family firm. Including the mother in the decision-making process can therefore be regarded as a sign of respect, indicating to her that despite her illness she is still **part of the entire family-business construct.**

Quote 1.89: "But she is now recovering up to the point where she's occasionally coming in in the afternoons and to help out [the daughter] ... she is able to work

again, yes, and that makes all of us very happy, the fact that she's made it back." (Father, Firm 1, 2010)

By including the mother in the decision-making process, the family members signal that the mother is still part of the family and that they are happy to have her around.

Event 4: Mother's desire to get involved (and previous events) triggers
Possible mechanisms
Family norms and values
Mutual respect
Mechanisms cause Event 5: Family discussion including mother

Table 5.22: Possible explanations for Case 1.1, Event 5 – (2)

The family owning and managing Firm 1 is characterised by a **strong familial bond,** with all the family members (including some members of the wider family) working and living together. The following statements indicate the tight bond between the family members and the close relationship between the family and the business:

Quote 1.91: "We started shouting and screaming, telling them to take the shellfish out of the pond again, well, and in the end, they did take them out and took them away. So, this is another example of the family board, just in private, and that's basically how it works for business. If there should really be someone saying that he or she doesn't like it at all, no one would take a decision, as there would be good reasons for not doing it." (Daughter, Firm 1, 2010)

Quote 1.92: "We are just too small to say, it's the majority vote that counts, or the percentage. It needs to be carried by everyone, as everyone is simply involved too deeply and therefore obviously each person is enmeshed." (Father, Firm 1, 2010)

The separation between family life and working life is minimal, with family members generally working seven days a week, and discussions outside the business usually revolving around the firm.

Quote 1.93: "We talk about it, why, what reason, what do we do it for, and those are always these conversations at the lunch table or when we are together in the evening, and then it's discussed properly." (Mother, Firm 1, 2010)

Due to the integration of family life and business life, with the business being the constant focus of the daily routine, coupled with the strong familial bonds between the individual members of the family, exclusion of the business would equal exclusion of the family. It can be argued that there is a strong desire that each family member is included in business activity.

Event 4: Mother's desire to get involved (and previous events) triggers
Possible mechanisms
Familial bond
Family equals business
Desire to include all family members
Mechanisms cause Event 5: Family discussion including mother

Table 5.23: Possible explanations for Case 1.1, Event 5 – (3)

Another explanation of the family discussion including the mother is related to the **mother's experience and tacit knowledge**. As pointed out earlier, the mother has worked in the business for many years, experiencing both ups and downs.

Quote 1.95: "My wife used to work with me, too, all day long." (Father, Firm 1, 2010)

Quote 1.96: "I have always looked at any open items or what or how, I always joined in doing that, or reminders or called customers and so on ... I really worked everywhere, well, down here I could operate every machine, I know what's going on and when I'm down here every noise for me is, or every machine that doesn't work, then I know, hang on, something's wrong somewhere." (Mother, Firm 1, 2010)

This means that the mother has gathered experiences and tacit knowledge over a long period of time. The family members value the mother's knowledge and experience, since she brings an additional perspective to the table.

Event 4: Mother's desire to get involved (and previous events) triggers
Possible mechanisms
Desire to learn from tacit knowledge and experience
Mechanisms cause Event 5: Family discussion including mother

Table 5.24: Possible explanations for Case 1.1, Event 5 – (4)

Due to the close family-business relationship, decisions taken in the firm are likely to have a direct impact on the financial **welfare of the family**.

> *Quote 1.97: "We are just too small to say, it's the majority vote that counts, or the percentage, it needs to be carried by everyone, as everyone is simply involved too deeply and therefore obviously each person is enmeshed." (Father, Firm 1, 2010)*

With the mother having been forced to resign from the business due to her illness she knowingly conferred her role in the production of family welfare to her husband and her offspring. Subsequently, father and offspring have to accept the **responsibility of making decisions** that are directly related to the family's, including the mother's, future financial welfare. Consequently, decisions that are taken by the trio will impact on the wealth of the family.

Knowing that the mother has always taken a critical perspective with regard to new investments, possibly due to her previous experiences in the business, including near bankruptcy, and ultimately the mother's burn-out resulting from the pressure of and dependency on the business, the responsibility for the mother's welfare (physical, since risky decisions may result in further deterioration of the mother's health, and financial) is likely to weigh heavily on the both father and offspring. By including the mother in the decision-making process, although the mother has no casting vote, the **responsibility of the decision's outcome is spread.**

> *Quote 1.98: "No, there are generally never any arguments after a decision has been taken, as usually, it's been discussed for such a long time, and comes up to the plate on a daily basis, that after a while, no matter the outcome, you take on the strategy and thinking of the other person and you also trust him. Well, trust of the others is a very large thing, so at the end of the day it's usually OK. I don't think*

anyone would decide anything without knowing that the others stand fully behind the decision in one or the other way." (Daughter, Firm 1)

Thus, the mother's desire to be involved in the decision-making process may have been received positively, as the mother's involvement would take pressure and responsibility away from the other family members, ultimately resulting in the mother's inclusion in the decision-making process and the family discussion.

Event 4: Mother's desire to get involved (and previous events) triggers
Possible mechanisms
Desire to share responsibility
Willingness to include mother
Mechanisms cause Event 5: Family discussion including mother

Table 5.25: Possible explanations for Case 1.1, Event 5 – (5)

Summary for Event 4 leading to Event 5:

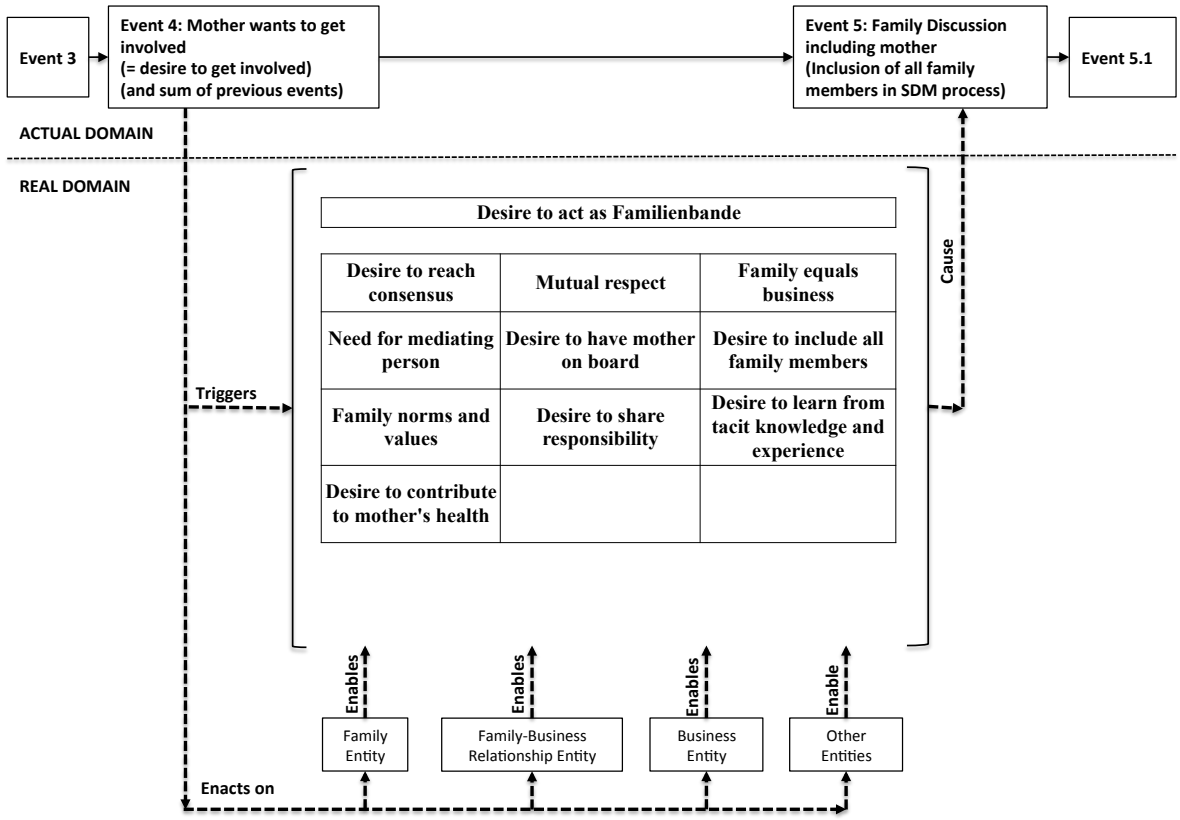


Figure 5.11: Case 1.1, Possible Mechanisms explaining Event 4 leading to Event 5

Retroductive process to uncover mechanisms causing Event 5.1:

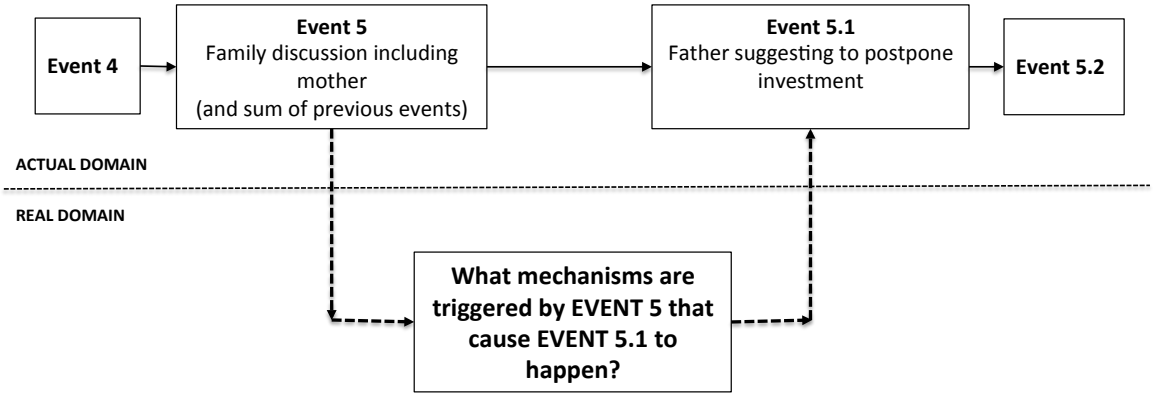


Figure 5.12: Retroductive process: Event 5 to Event 5.1

Following the inclusion of the mother in the decision-making process (Event 5), the father suggests postponing the purchase of the new machine for a few years (Event 5.1) (Figure 5.12).

Question guiding retroduction: What mechanisms are being triggered by the family discussion including the mother that cause the father to suggest postponing the purchase?

Possible explanations for Event 5.1:

Over the past decade the family has invested greatly in both the family business and private life, resulting in a substantial **volume of debt**.

> *Quote 1.99: "Well, we bought the new building out here in 1982, and from that time onwards we basically extended one or the other part every few years, and the last one … took place from 2003, 2004, when we decided we had to do something again, we've really got to max out our lot now and extend in a way that we will hopefully have peace and quiet for the next 20 years to come." (Father, Firm 1, 2010)*

Considering that the new machine would potentially be beneficial to the effectiveness of handling orders, but was not necessary at present, an investment of 2.5 million at the current level of debt may constitute a major threat to both the firm (also taking into consideration the relatively small size of the firm) and the **welfare of the family**.

> *Quote 1.100: "The question here was, can we really handle it, can we take this quantum leap, or would we rather remain in a smaller state … this time it was, as mentioned before, me who stepped on the brake a little every now and then … those two really pushed it forward massively, whereas I would rather have said, that'll take two years, let's do it in 2010." (Father, Firm 1)*

The existing volume of debt and the potential new burden of 2.5 million may, in turn, have triggered mechanisms causing the father to suggest postponing the investment. Firstly, it may have triggered fears related to the firm's capacity to recoup additional investments at this point in time, resulting in fears for the financial welfare of the family, ultimately causing the father to suggest postponing the purchase.

Event 5: Family discussion (and previous events) triggers
Possible mechanisms
Father's role oas nurturer
Fear of maintaining family welfare
Desire to keep firm healthy
Fear of new investments
Mechanisms cause Event 5.1: Father's suggestion to postpone purchase

Table 5.26: Possible explanations for Case 1.1, Event 5.1 – (1)

Secondly, the father's suggestion to postpone the purchase may have been caused by his desire to **make his offspring more aware of the risks** associated with a further investment of this scale.

Event 5: Family discussion (and previous events) triggers
Possible mechanisms
Father's role as mentor
Desire to mentor offspring
Need to raise offspring's awareness of risks
Mechanisms cause Event 5.1: Father's suggestion to postpone purchase

Table 5.27: Possible explanations for Case 1.1, Event 5.1 – (2)

Another explanation of why the father suggested postponing the purchase derives explicitly from the previous event, i.e. the mother's inclusion in the family discussion. As addressed earlier, there exists a strong relationship of **interpersonal trust between father and mother**, with the mother fully trusting in her husband's ability to run the business and his intentions to act in the best interests of the family.

> *Quote 1.101: "We are just too small to say, it's the majority vote that counts." (Father, Firm 1)*

> *Quote 1.102: "When you have been married this long, 35 years, then you do know, yes, he has done everything in such a way that we are covered and it will be all right." (Mother, Firm 1)*

Quote 1.103: "No, there are generally never any arguments after a decision has been taken, as usually it's been discussed for such a long time, and comes up to the plate on a daily basis, so that after a while, no matter the outcome, you take on the strategy and thinking of the other person and you also trust him. Well, trust towards others is a very large thing, so at the end of the day it's usually OK. I don't think anyone would decide anything without knowing that the others stand fully behind the decision in one or the other way." (Daughter, Firm 1)

Having the mother included in the decision-making process, the father may have used the family discussion as a platform to further cement their trust relationship. Knowing that the mother is generally wary of new investments, and considering her vulnerable state resulting from her illness, the father may have wanted to show his wife that the decision is being thought through rather than being based on enthusiasm and gut-feeling, by playing the sceptical party in the process. This might be particularly important since, as mentioned above, there exists an **emotional trust relationship** between the mother and her offspring, but not yet such a strong cognitive trust relationship as with the father. Hence, the offspring's excitement towards the investment may be seen by the mother as a rushed decision, in which the family's financial welfare is fully dependent on the outcome.

Quote 1.104: "They really beamed with energy, this is when I had to hold them back rather and said, think carefully, that's a massive amount of cash, but they said, no, and we'll try, and we'll do it, and we'll be able to make it work." (Father, Firm 1)

By taking on a sensitive role and suggesting postponing the decision, the father may have aimed to **regain the mother's confidence, trust, and support**. This explanation is supported by the daughter's statement, indicating that in the background it was the father who pushed the decision forward:

Quote 1.105: "This was when dad came and said that he would like to buy one of those … that's the bespoke 2.5 million, well, most of that was pushed forward by dad." (Daughter, Firm 1)

The mother's inclusion in the family discussion may have led the father to take on the role of the sceptical party, pointing out the risks associated with such investments in order to support the mother, strengthen their trust relationship, and provide a sense of security by showing that the decision is not being rushed, but well thought through.

Event 5: Family discussion (and previous events) triggers
Possible mechanisms
Emotional trust relationship between father and mother
Desire to make mother feel secure
Desire to show that decision is not being rushed
Mechanisms cause Event 5.1: Father's suggestion to postpone purchase

Table 5.28: Possible explanations for Case 1.1, Event 5.1 – (3)

Considering the existing amount of debt resulting from previous investments, a new investment of 2.5 million can cause a substantial threat to a small business. Currently, the business employs around 30 people, seven of whom are members of the family. In running the business, the family TMT has the **responsibility to care for its staff**. This responsibility may be taken particularly seriously due to the firm's location. The firm is located in a rural area where both business and family are closely connected with and engaged in the local community, with the family enjoying high social status and acceptance (Dorthe, 2010). Due to the close relationship between firm and family, and considering that the business also carries the family name, mismanagement of the firm is likely to result in a negative reputation of both the business and subsequently the family. In a close-knit local community this could have detrimental effects on the community's perception of the family and its members. It can be assumed that the father will not only act in the best interests of the firm and the family, but also responsibly towards his workforce. The following statements of family members support this explanation.

> *Quote 1.107: "We could actually get rid of one or two people today, as the machines have become faster and better, which is why we do not really need as many employees as we've got – but on the other hand, we do not really want to dismiss anyone, also considering that a few of them will approach retirement within the next few years anyway, so we just take them along for the time being." (Daughter, Firm 1)*

The investment potentially constitutes a threat to the financial welfare of the firm, which can be regarded as an important employer for the local community and thus crucial to the reputation and social standing of the family.

Hence, it can be argued that the father has the desire to maintain good relationships with the local community; this requires him to act in the best interests of his staff, possibly resulting in higher risk-aversion, causing him to suggest postponing the purchase whilst the existing level of debt is still substantial.

Event 5: Family discussion (and previous events) triggers
Possible mechanisms
Desire to maintain close relationship with local community
Desire to maintain good reputation
Need to act responsibly and in best interests of staff
Higher perception of risk
Mechanisms cause Event 5.1: Father's suggestion to postpone purchase

Table 5.29: Possible explanations for Case 1.1, Event 5.1 – (4)

Due to the close relationship between family and business, the investment in the new machine constitutes a potential threat to the father's personal financial welfare. Approaching retirement, the father's efforts may be focussed on **securing personal wealth** and building up a healthy financial cushion for his **retirement,** leaving future investments in the business to his offspring.

Taking into consideration that the existing machine does not need immediate replacement, it can be argued that the upcoming retirement triggered safety mechanisms causing the father to wish to postpone the purchase.

> *Quote 1.109: "I would have rather said, <u>that'll take two years, let's do it in 2010</u>, but that really was the pressure given by the kids." (Father, Firm 1, 2011)*

Accordingly, the father's suggestion not to invest immediately may be been caused by the father's desire and need to build up a financial cushion for his retirement rather than investing on a scale that is likely to pose a financial threat to the family firm.

Event 5: Family discussion (and previous events) triggers
Possible mechanisms
Desire to retire soon
Egocentric drive
Need for retirement provision
Need to secure financial wealth
Mechanisms cause Event 5.1: Father's suggestion to postpone purchase

Table 5.30: Possible explanations for Case 1.1, Event 5.1 – (5)

The father's **personal health** may offer another explanation for the father's suggestion to postpone the purchase. Having to lead a business constitutes a major commitment. This is even more the case if the welfare of the immediate and wider family, personal social status, and respect and identity within the local community are dependent on the performance of the business. The perceived responsibility to perform well over decades in order to satisfy all stakeholders in the business, but first and foremost the family, is likely to put immense **pressure on an individual**.

> *Quote 1.110: "And also the relationship, well if you didn't get on as well, many a time at the weekend he, it was just important to him to have time for himself, even if it was just a sleep, right, where he lay down and said, I just can't at the moment, I don't care, you just have to walk alone, please, or some such thing." (Mother, Firm 1, 2010)*

Such constant pressure can potentially pose a threat to one's **personal wellbeing and health**. The father has experienced this first-hand, with his wife becoming seriously ill and being forced out of the business.

> *Quote 1.112: "As soon as I entered the building I was soaked in sweat, I was suffering anxiety, real anxiety attacks, my head started spinning, sweating, cold shivers ..." (Mother, Firm 1, 2013)*

> *Quote 1.113: "This time I've been in the firm on Saturdays, and I was there Sundays, too. Saturday and Sunday were all about desk work, where you really worked on all the stuff that's been piled up during the week, as you just didn't manage to do anything. And at that time my wife used to work with me, too, all day*

long, and she really paid for it the hard way with a burn-out, and as I said, she hasn't been in the business for a few years now, but is now recovering." (Father, Firm 1, 2010)

Such life events can constitute a turning point, causing individuals to rethink their priorities and values. For the father, the **mother's illness** may have been such a turning point, making him more aware that the human body is not indestructible, and that constant work and pressure can lead to severe health problems. The planned investment would on the one hand increase the workload within the business due to the need to recoup the investment and pay off the mounting debt, and it would also increase personal pressure on the father, deriving from both his immediate family and other stakeholders in the company.

The mother's illness may have been a trigger or 'wake-up call' for the father to take a step back and to readjust his priorities, that is, maintaining the status quo rather than focussing on constant growth.

Quote 1.114: "Since we have had the house up there, now, he has been a different person and relishes it and his pond and works outside, and that is relaxation for him and yes." (Mother, Firm 1, 2010)

Quote 1.115: "He definitely wants to be there [in the firm], but he just wanted, how shall I say now, to not be here full days anymore." (Mother, Firm 1, 2010)

Quote 1.116: "The future plans are basically the plans of my kids. I told them very openly, I do, more or less, want to retreat step by step now." (Father, Firm 1, 2010)

Thus, the mother's illness may have raised the father's awareness of his personal health, and thus triggered egocentric traits and the desire to cut down on his workload and stress, causing him to suggest postponing the investment.

Event 5: Family discussion (and previous events) triggers
Possible mechanisms
Egocentric traits
Desire to stay healthy
Desire to avoid unnecessary stress
Shift of priorities
Mechanisms cause Event 5.1: Father's suggestion to postpone purchase

Table 5.31: Possible explanations for Case 1.1, Event 5.1 – (6)

The father's suggestion to postpone the purchase may have also been caused by a **loss of drive.** Having performed well and worked extremely hard over the course of decades, coupled with substantial new investments, particularly during the last decade, and now with retirement in sight, the father may have lost his drive to take on major new investments.

In addition, with the father approaching retirement and considering the scale of the strategic decision, it is largely the offspring profiting from the investment. That is, based on his retirement plans, the father would not be able to reap the potential long-term profits resulting from the substantial investment in the new machine. This is supported by Arano, Parker, and Terry (2010), who indicate that there is a general tendency in the financial planning industry that the proportion of assets held in risky investments decreases as investors near retirement, due to the assumption that investors lack sufficient remaining working years to recover from large investment setbacks (Arano et al., 2010). Instead, the father would be left with increased workloads, stress, and financial pressure in the short term, which may explain the father's suggestion to purchase the machine at a later date.

Additionally, with the mother suffering from severe burn-out and not being able to work in the business anymore at this point in time, the father has **lost his most valuable team member**.

> *Quote 1.117: "At that time my wife used to work with me, too, all day long." (Father, Firm 1, 2010)*

> *Quote 1.118: "I really did <u>everything</u> ... <u>and we managed it like that.</u>" (Mother, Firm 1, 2010)*

The combination of tiredness as a result from constantly being on the edge, retirement plans, and no foreseeable return on the investment but increased workload and pressure, as well as the loss of his wife as a managing partner, may have caused a loss of drive and the suggestion to postpone the investment.

Event 5: Family discussion (and previous events) triggers
Possible mechanisms
Desire to rest (mental and physical exhaustion)
Mental block to long-term investments
Pain of losing partner
Loss of drive
Mechanisms cause Event 5.1: Father's suggestion to postpone purchase

Table 5.32: Possible explanations for Case 1.1, Event 5.1 – (7)

The father's suggestion to postpone the purchase can also be linked to his **age and marital status.** Research suggests that although men are generally willing to take greater risks than their spouses – "women who have spouses who influence them to hold a larger percentage of their retirement assets in stocks take lesser risk than men whose spouses likewise influence them to be less risk averse" (Arano et al., 2010:154) – marriage makes men more **risk averse** with regard to investments (Bernasek and Shwiff, 2001).

Thus, the father's marital status may have triggered a greater desire for safety, resulting in greater risk aversion, subsequently causing his suggestion to postpone the purchase. This may have been particularly the case with the mother (his wife) being physically present at the family discussion, thereby consciously and subconsciously reminding the father of his marital obligations and the reach of his decisions, possibly explaining the father's suggestion not to invest.

Event 5: Family discussion (and previous events) triggers
Possible mechanisms
Marital commitments/values
Love and care
Desire for financial security of spouse
Fear of letting wife down/disappointing wife
Mechanisms cause Event 5.1: Father's suggestion to postpone purchase

Table 5.33: Possible explanations for Case 1.1, Event 5.1 – (8)

In addition, Morin and Suarez (1983) and Bakshi and Chen (1994) find a positive correlation between **age and risk aversion**. Futhermore, Riley and Chow (1992) show that risk aversion decreases with age until 65 years. With the father nearing the age of 60, his natural increase in risk aversion due to age may provide another explanation of the his suggestion to postpone the purchase.

Event 5: Family discussion (and previous events) triggers
Possible mechanisms
Natural risk aversion
Mechanisms cause Event 5.1: Father's suggestion to postpone purchase

Table 5.34: Possible explanations for Case 1.1, Event 5.1 – (9)

Summary for Event 5 leading to Event 5.1:

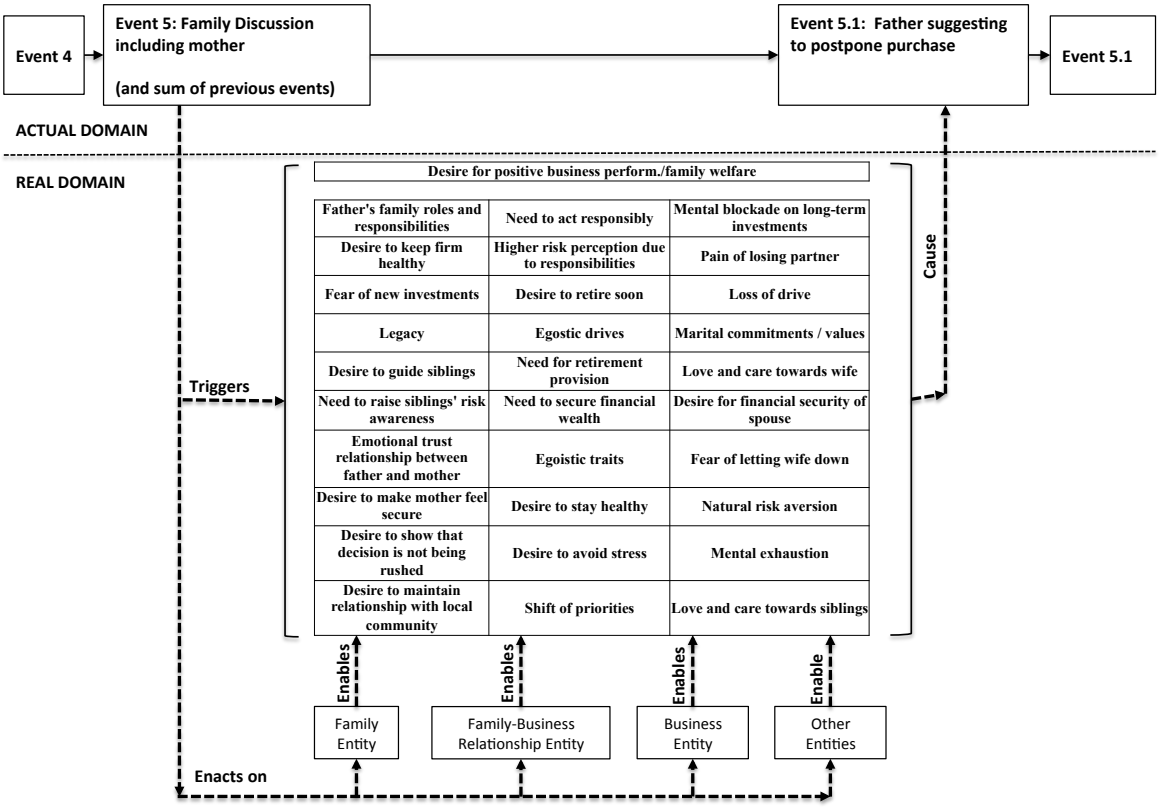
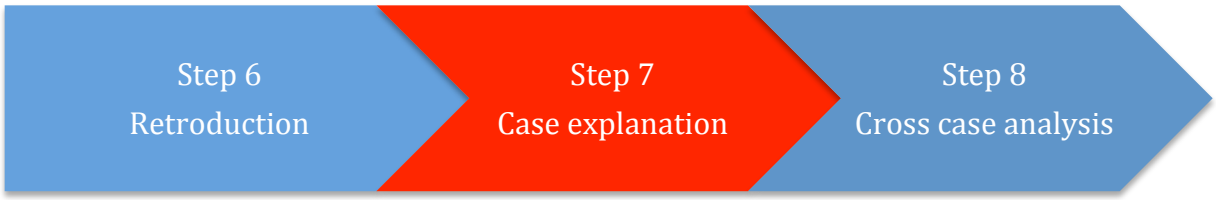


Figure 5.13: Case 1.1, possible mechanisms explaining Event 5 leading to Event 5.1

Further proceedings and summary of Case 1.1

The analysis of the events presented above represents a sample of how the retroductive process was conducted for the remaining events of Case 1.1, as well as for the selected events across all 13 cases. For each event the same in-depth process of developing possible generative mechanisms was followed using NVivo 8. Due to the scope of the study, only summaries of the individual analyses for each event will be presented. The corresponding explanations are presented in Appendix II.



Identifying the 'best possible truth': Having generated a summary of *possible* mechanisms based on the empirical data gathered, it is the task of the researcher to identify the *best possible truth* (see Appendix III). In order to identify the best possible truth, that is, the mechanisms that are most likely to have caused the particular event to happen, the researcher may go back into the field to collect additional data where required, until epistemological closure (Bhaskar, 1975). It must be noted that the possible mechanisms identified thus far should not be confused with propositions to be tested in the field. Instead, the collection of additional data fulfils the purpose of digging deeper into the matter and subsequently gaining a more accurate picture of the mechanisms at work in order to unveil those mechanisms that are most likely to have caused the individual events to occur.

In Case 1.1 the author went back into the field six and eight months after the initial interviews. Further questions revolved around the mother's illness, the relationships between the individual family members, the individuals' life histories and future expectations, the father's retirement plans, the family members' perception of the industry and competition, and so on. Through these questions, the author aimed to gain more insight into the individual family members' characteristics, fears, desires, and ways of thinking, which might further explain their actions and behaviour. Interviews at this stage tended to be far more personal in nature than the initial interviews. The initial interviews were more content-driven, with a clear focus on the decision-making process rather than on the

individual. The follow-up interviews required the individuals to trust in the researcher. Based on both the initial and the follow-up interviews, the author was able to gain a more complete picture of the decision-making process, to identify the generative mechanisms at work, and to explain *how* those mechanisms interact, causing the particular events to occur.

Explanation of the offspring's actions:
Offspring's excitement and offspring's pressure on father to invest

Based on the empirical data, the offspring's excitement towards the decision is likely to be driven by two main streams. Firstly, it is driven by **self-related motivations** resulting from the family-business context. Specifically, with plans to take over the business in the near future, the offspring need the **acceptance and trust of the staff**. Although the offspring have been part of the TMT for several years, the father has been the dominant force within the business, holding the majority stake and almost singlehandedly deciding on the strategic actions taken within the firm.

> *Quote 1.122: "Well, up until the purchase of the last machine it always was my dad, as he simply still holds the reins in his hands ... The last big decision took place about two years back ... most of that was pushed forward by dad." (Daughter, Firm 1, 2010)*

As a result, the offspring found it difficult to gain full respect and acceptance, particularly from their more mature workforce.

> *Quote 1.123: "Well, there are quite a lot of older employees, where you really need to work hard to gain their respect … you really do get treated like a little child. And it's actually just these days, and I've been here for ten years now, that you really get accepted as their boss. Obviously, every now and then you still get to hear a comment, but that's OK." (Daughter, Firm 1, 2010)*

As outlined above, **gaining respect** is crucial in any business environment, but particularly with the prospect of **future succession**. However, it constitutes a particular challenge in the family firm, in which offspring are often placed in management positions without

having to work their way up to the top. Despite their abilities, the offspring are often regarded as 'free-riders' (Miller and LeBreton-Miller, 2006) and therefore are required to work particularly hard to clear preconceptions.

> *Quote 1.124: "I never gave the impression of being higher up, even today I don't really show a boss attitude, but you need to fight hard and you need to prove yourself. You are always expected to work harder, which I guess is normal." (Daughter, Firm 1, 2011)*

In order to succeed, the offspring need to **step up to the responsibilities** that come along with the position they work in, proving their capability to take far-reaching decisions and make their own mark on the business. With the father's retirement in sight, there are only a limited number of chances that would enable the offspring to make an impact. The investment in the new machine would elevate the business into a 'new league' within the printing industry and thus provide an opportunity for the offspring to take on responsibility. This partly explains the offspring's determination and excitement towards the decision.

> *Quote 1.125: "The printing business is such a hard business to be in ... you need to invest in order to be at the top. We could have worked with the old [machine] for a few more years, but technology is moving so fast and if you want to compete with the best you need to have the latest technology. You need to make your own mark." (Daughter, Firm 1, 2013)*

The offspring's, and in particular the daughter's, willingness and determination to take over can also be seen in a statement made by the mother:

> *Quote 1.126: "Over four years, also during the purchase of the machine, [the daughter] really started separating herself from the family, burying herself in the work, saying others wouldn't pull their weight, she was really hard to work with ... she was treating me as her secretary ... this was really tough on me, since everyone was struggling, she didn't get along with her brother ... it really wasn't easy." (Mother, Firm 1, 2013)*

The mother's statement, combined with statements made in earlier interviews, indicates a significant rivalry underneath the surface at this particular period in time, which in its deepest roots can be linked to strong feelings of **identity, childhood memories, and personal pride**. Earlier statements made by the mother indicate that the relationship between the daughter and her brother's girlfriend/wife was troubled at this particular point in time:

> *Quote 1.127: "They [son and daughter] are so different there … we hope that [the offspring] … work with one another … when they are so different in temperament and personality as our two are … I keep saying it's a real love-hate relationship, like, they are also incredibly attached to one another, but when two such opposite characters meet … the difficult thing always is when … she [daughter] just doesn't get along with her [brother's girlfriend] that well, there's just friction there and, and petty jealousy, I'll say it like that, yes." (Mother, Firm 1, 2010)*

The friction between the daughter and her brother's girlfriend indicates that the daughter may perceive a threat to her **heritage**, values and **memories** associated with the business, resulting in great competitiveness for leadership within the business in order to ultimately raise barriers to the girlfriend entering the family business. The purchase of the machine would offer an ideal platform for the daughter to take on a leadership role and to indicate to her father her suitability for CEO. This would also explain the daughter's accusations of others not pulling their weight, which may be interpreted as a tactic to protect her heritage.

The offspring's, and particularly the daughter's, actions (excitement, pressure on father) can be explained by the daughter's strong **identification** with and **pride** in the family firm, resulting in protective behaviour with regard to outsiders (i.e. the brother's girlfriend/wife), subsequently leading to increased **rivalry** between the son and daughter in order to position themselves in the business. In other words, the offspring's behaviour is an indication of their efforts to gain their parents' love and respect (**achievement motivation**) by showing their ability to manage the business in future (**desire to succeed, egocentric traits**).

This shows that the offspring's actions are business-driven at the higher strata (the need to gain respect and to position themselves in the business); however, at lower strata of reality, the mechanisms deriving from the business entity are themselves triggered by both mechanisms emerging from the family context (achievement motivation, and the desire to

fulfil parents' expectations and obligations, desire for parents' love and respect), and mechanisms emerging from the family-business relationship (heritage, childhood memories, identification with the firm).

Explanation of the father's actions:
Suggestion to postpone purchase before giving in to offspring's pressure and pursuing investment

For the father's actions, various possible explanations have been brought forward. Looking at the decision-making process from a holistic perspective, what becomes clear is that despite the father's authoritative status within the both the firm and the family, his actions are largely driven by **family-related mechanisms,** ultimately providing the foundation of the overall motivation to perform well. Specifically, it can be seen that the father is **torn between the needs and desires of his offspring on the one side and his wife on the other**. As such, it is believed that his wife's illness has a substantial influence on his actions for several reasons.

Firstly, the illness of his wife may have served as a 'wake-up call' for the father, raising awareness of the sacrifices the business requires from the family and its members. With the wife's illness in mind, the father might therefore have become more interested in taking on substantial new investments, aiming to provide psychological security for the mother in order to aid her recovery process. Thus, it can be argued that the father's marital commitments, his love and care for his wife, and their strong relationship of interpersonal/emotional trust have partly influenced his suggestion to postpone the purchase of the machine.

Secondly, the increased awareness of the sacrifices the business requires from the family, recalled by his **wife's illness**, may also have influenced the father to act more responsibly towards his offspring, which is indicated by a comment the mother made with regard to selling the company (to be discussed further in Case 1.2):

> *Quote 1.128: "Because he didn't want his kids to go through what we went through. You know, when we took over there was basically no firm. The business was nothing more than a mountain of debt. I think I told you that before, the firm was completely bankrupt. And we had many years of suffering and sacrificing, always worrying whether we were going to make it, whether we were going to*

survive. It is such a hard business and he just didn't want to push his kids into it, he wanted them to have a better life, a family life without all the worrying. He didn't want to leave them with the same burden." *(Mother, Firm 1, 2013)*

Thus, apart from his wife's illness, the father's suggestion to postpone the investment may also have been caused by the underlying desire to hand over a financially sound business without substantial burdens of debt, which in turn was triggered by love and care towards his offspring – the mother's illness may have served as a stark reminder of the struggles both parents had to go through when they took over in the 1970s/1980s.

However, after being pressurised by his offspring, the father finally gave in and agreed to the investment. This event further indicates that there exists strong love from the father towards the offspring, particularly when taking into consideration the father's retirement plans, the **illness of his wife**, the financial strain on the business arising from the potential investment, and the ability of the existing machine to fulfil most orders, leaving the father with little reason to invest 2.5 million euro in new equipment. Such behaviour has been referred to family-oriented altruism and the **Samaritan's Dilemma** (Buchanan, 1975), with the parent acting altruistically towards their children's self-serving needs, even if that would potentially threaten the parent's personal welfare and, in the long-run, potentially the welfare of the offspring. This type of altruism is based on **co-dependency** between parents and offspring, and the parents' desire to sustain the family bond by providing the offspring with incentives. Consequently, it can be argued that the mechanisms causing the father to pursue the purchase generally emerge from the family context (desire to give and receive love and care). Those, in turn, are leveraged by the **offspring's learned behaviour of manipulating their parents to act altruistically (pressure on father)**.

Explanation of the mother's actions:
Pushing for engagement in decision-making process and agreeing to investment despite obvious hesitation

The mother has a very special role within the family-business construct. Having run the firm with her husband for almost three decades she suffered a severe breakdown in 2005, forcing her out of the business and conferring her stakes in the firm to her offspring. For the mother, the **family firm constituted the hub of both familial life,** with all her

immediate family members and other relatives working in the business, **and social life,** indicated by close social relationships with members of staff. One the one hand, being diagnosed with 'burn-out' constituted a relief at first, since it legitimised the mother's ongoing condition:

> *Quote 1.129: "I was relieved. Yes, I was actually relieved. I'd been carrying that [the illness] around with me for so many years. I was always on the edge, at my limit, and no one took me seriously, no one believed me. This is the mum, she can handle the workload, she always has. When I had the diagnosis, the proof from the doctor, I was relieved. They started believing me; they started seeing it, and I now knew it wasn't me who was crazy. ... I had to function, day in and day out, I couldn't, I mustn't stop, that was out of the question ... Knowing that I had burned out took an immense pressure off me." (Mother, Firm 1, 2013)*

On the other hand, the diagnosis forced the mother out of the business, ultimately resulting in a feeling of exclusion from familial life.

> *Quote 1.130: "As soon as I entered the building I was soaked in sweat, I was suffering anxiety, real anxiety attacks, my head started spinning, sweating, cold shivers ... No, I didn't come in at all anymore and my family started to protect me from all work-related things ... but I always wanted to be informed, I wanted to know what was going on, as soon as I heard them talking or whispering about business amongst each other I wanted to know what's going on, but they really protected me from it, they wouldn't tell me anything business related. This was very tough, too, because all conversations at home ultimately used to be business related and I always enjoyed being involved ... Well, you ... you feel separated and excluded from the family, not a part of it. That was very hard. I just always wanted to know what was going on." (Mother, Firm 1, 2013)*

On the one hand, this indicates the **close link between family and business**. On the other hand, the mother's feeling of **separation** provides the most feasible explanation of the mother's push for engagement when overhearing her offspring's excitement. Put differently, the offspring's excitement (in relation to previous events, including the mother's illness, the family's protective behaviour, and so on) triggers a number of

underlying mechanisms resulting in the mother pushing for engagement. These mechanisms are the mother's **desire to be part of the Familienbande** (family bond), her desire to be loved and valued, and her underlying fears of exclusion and loneliness. The strength of these underlying mechanisms becomes more visible at a later stage of the decision-making process, that is, during the final vote (Event 9.1).

> *Quote 1.131: "It's crazy ... and scary [spending 2.5 million on a machine]. But it makes you feel good. It's scary because you know that this machine will need to run every single day, you just can't afford to stop, which puts an immense pressure on you ... it makes you feel helpless." (Daughter, Firm 1, 2013)*

Bearing in mind the mother's illness, resulting from the physical and financial pressures of the family business, the strains the business puts on her marriage, her desire to spend more time with her husband, her and her husband's plans to retire at 55 (an age which had just passed at the time of the decision), and the recent investment in a new private home (**financial pressure**), combined with the perception that the purchase of a new machine is neither necessary nor desired by her husband (until being pressured by his offspring), and the resulting **physical and psychological pressures** of the purchase, including increased workloads for all family members, increased financial pressures, and **additional strains on the marriage,** which would harm rather than benefit the mother's illness, there is absolutely no reason for the mother to agree to the investment. The mother's agreement to the purchase becomes only clear when looking at the underlying mechanisms discussed previously.

The mother knows that her participation in the decision-making process is based on her family members' goodwill rather than on a rational need. Thus, in order to remain part of the process, and subsequently the Familienbande, she is in a **dependent position towards her family members,** which is reflected in her actions.

> *Quote 1.132: "My mum is generally against it, against every purchase, as she's just a very stingy type of person, well, and then you need to discuss it, whereas my mum does not really have a opinion, well she's got an opinion, but what the girls say is just generally not really taken on board ... in the case of the machine we obviously all decided for it, even my mother was on our side after a while." (Daughter, Firm 1, 2011)*

Quote 1.133: "A few years ago, I think it was different to today. Today [the daughter] comes up to me and says mum, I really miss it when you are not around, please come in, I just love when you are there and I feel that she really means it ... a few years ago, I felt that I was more, hmm, yes, she says she likes it when I'm around, but I felt I was more, hmm, tolerated there ... I was there, but today it feels different, today it is sincere, [the daughter] really wants me to be there." (Mother, Firm 1, 2013)

The mother's perception or knowledge of her **fragile role** within the family firm's decision-making process again triggers **fears of exclusion and loneliness**, and **desires to be part of the Familienbande and to be loved and valued**. These underlying fears of exclusion and **desire to belong** are so strong that the mother is willing to risk her personal recovery through agreeing to the increased **psychological pressures** resulting from the purchase, and to accept further strains on her marriage due to increased workloads and financial pressures. In part, this can be related to the concept of **family-oriented altruism**, in which the parents' interest becomes secondary, i.e. the parents sacrifice their personal desires for the desires of the children insofar as "the children become the masters of their parents" (Hegel, 1806).

However, from several comments made by the mother it can be argued that in addition to her fears of exclusion, the strength of the **interpersonal trust relationship with her husband** plays an integral part in the mother's agreement. Over the course of decades it was her husband who made the decisions within the family business, building it up from near-bankruptcy into a profitable enterprise. This has led to strong **interpersonal/emotional trust** relationships between father and mother, with the mother knowing that decisions taken by the father are generally in the best interests of the family.

Quote 1.134: "It has also definitely happened to me that my husband called me out there, said, just quickly come into the office, put something in front of me to sign and I didn't really know what I was signing then. So that did happen to me as well, but when you have been married this long, 35 years, then you do know, yes, he has done everything in such a way that we are covered and that it will be all right." (Mother, Firm 1, 2010)

The father's decision to give in to his offspring's pressures may have provided the mother with some **sense of security**, based on their emotional trust relationship, i.e. the father's decision to proceed may have triggered the underlying trust mechanisms between father and mother, in part causing the mother to agree.

In conclusion, the mother's actions can be explained by two mechanisms emerging from the family context: firstly, her fears of exclusion and loneliness and secondly her desire to be loved and to belong.

Concluding results from Case 1.1

Case 1.1 revolves around the investment in a new piece of equipment that would provide Family Firm 1 with a competitive edge within their industry.

The author used retroduction as the method of analysis to identify generative mechanisms operating at the 'real' domain of reality, to explain why those mechanisms are triggered, where they emerge from, and *how* they interact, causing particular events of the overall strategic decision-making process to happen. In other words, the author aimed to explain *how* the family-business context shapes the individual family members' behaviour, as manifested in the actions they pursue.

The father's behaviour can be explained by a strong desire to ensure the **welfare of his offspring**, resulting from a close **familial bond** and the **desire to provide love and care**, as well as the **desire to receive love and respect** from his family, which indicates **co-dependency between father and offspring**. On the one hand, the offspring have learned to leverage this co-dependency in order to **achieve their personal goals** (to **gain respect in the business, to succeed to the business**), reflected in their desire to pursue the investment. On the other hand, the father is willing to **act altruistically** in order to **enable succession** for his offspring and thus lead the business into the next generation. Judging by the outcome of the decision, this co-dependency between father and offspring is of a very strong nature, particularly considering the mother's illness and the related health risks of taking on further financial burdens. Both the father's and the offspring's behaviour can therefore be explained by mechanisms emerging from both the **family context** (family values, desire to give and receive love and care, co-dependency, egocentric traits and desire for personal welfare, altruistic traits and desire for the offspring's welfare) and the **business context** (desire/need to enable succession, desire to gain respect, desire to succeed).

The mother occupies a special role within the firm. Having worked in the firm most of her life and been forced to retire due to health problems, the mother's priority is to keep the family (Familienbande) together. In particular, due to the close relationship between the family and the business the mother faces a **fear of exclusion from the Familienbande** due to her illness, resulting in her **dependency** on the other family members. In the case of the mother, this results in **altruistic behaviour** threatening her personal health and welfare for the benefit of her offspring. In the case of the offspring, this promotes their egocentric traits and their ability to leverage the mother's altruistic traits for their own personal benefit. Hence, the mother's behaviour can be explained by mechanisms emerging from both the **family context** (desire to give and receive love and care, co-dependency, altruistic traits) and the **family-business relationship** (identification with the business, Familienbande, desire to belong, fear of exclusion).

5.1.2 Case 1.2: Rejection of friendly takeover attempt

Case 1.2 constitutes the rejection of a friendly takeover attempt. The case describes how family conflict unfolds through the disagreement between parents and offspring on whether a bid on the family business should be accepted or rejected. After several weeks of crisis and family negotiations, it is the parents, and in particular the father, who give in to the offspring's desire to reject the offer.

In analysing Case 1.2, the same retroductive process used in Case 1.1 has been followed. The results are outlined below, starting with a causal map of the events of the decision-making process (the actual), followed by a diagram of the mechanisms underlying the decision-making process (the real), explanations of the family members' actions in relation to the individual events and the conclusions from Case 1.2.

Finally, the two cases are cross-analysed (cross-case, within context analysis) and conclusions are drawn about the strength of the family influences on Firm 1, leading to the development of an entrepreneurial/family firm lifecycle model to be used as a reference for subsequent cases.

The actual: Events for Case 1.2:

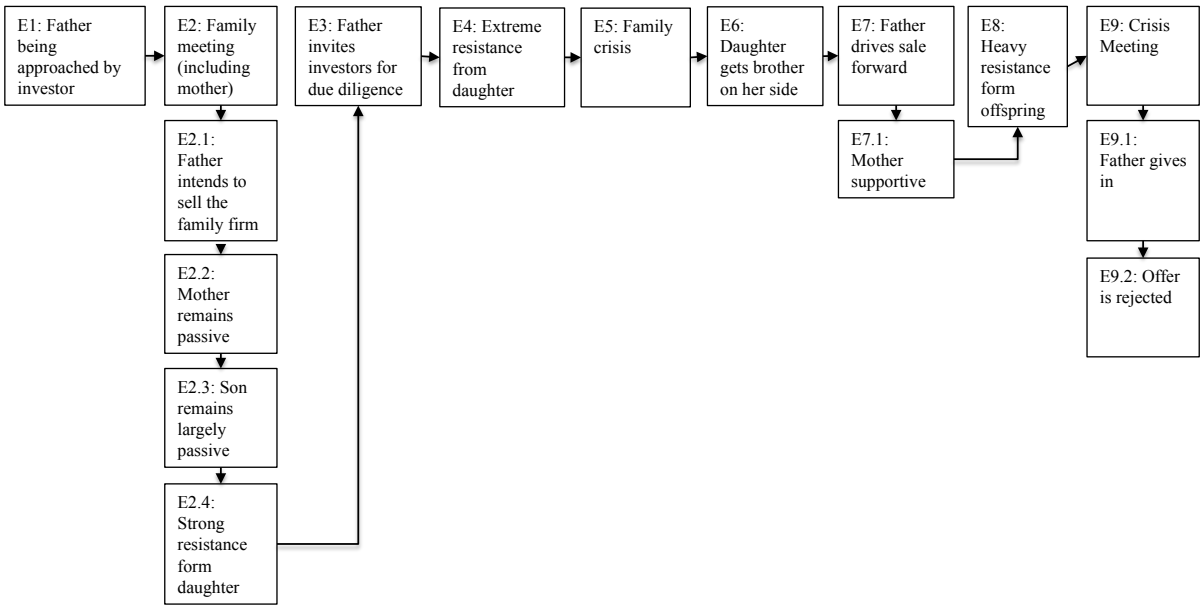


Figure 5.14: Causal map of events for Case 1.2

Of the events displayed in Figure 5.14, Events 2, 3, 4, 6, 7, and 9 have been chosen for further investigation (Appendix I). As with Case 1.1, the selection of events has been driven by the research question of how the family context influences strategic decisions in the family firm. Put differently, the events selected are events concerning the direct interaction of family members or the specific behaviour of family members. Hence, they provide a starting point to look for family influences. After following the retroductive process, as described in-depth in Case 1.1, the author was able to access some of the mechanisms operating underneath the surface causing the individual events to occur.

The Real: Emerging Mechanisms for Case 1.2:

Based on the empirical data, a number of possible mechanisms could be identified and initial patterns emerged. Through further data collection (additional interviews with family members) epistemological closure was reached, leading to the following explanations for Case 1.2 (see also Appendix 5).

Explanation of daughter's actions:
Increasing resistance towards offer leading to family crisis; getting brother on her side; constant pressure on father.

The daughter's actions of strong resistance towards the purchase can be explained by her strong identification with the family firm. The daughter has not only spent most of her working life in the family business, but she also grew up in the family business setting and lived in the building during her childhood and most of her adult life. It can therefore be suggested that the daughter has a **strong attachment** to the building and to the family business as such, since it completely shaped her **identity** and the person she is today.

> *Quote 1.135: "She [daughter] was beside herself with rage. She said, you can't do that, [Firm 1] has to keep being there, I want to do that and so on." (Mother, Firm 1, 2011)*

> *Quote 1.136: "It had a lot to do with pride, pride in what's standing there, pride in what has been built up over the years. She grew up in that building, that's where all her childhood memories lie, the family, everything ... Her whole life she's been here, she didn't want to give that away." (Mother, Firm 1, 2013)*

> *Quote 1.137: "I think it's pride in what's standing here, and it's the memories. I grew up here. I would never want to give that away. If someone came up to me today and asked whether I wanted to sell for any price, I would never sell. I love coming in here every single day, I just love it. I would never sell." (Daughter, Firm 1, 2013)*

Furthermore, having lived and worked together as a team their entire life, the family can be characterised by **strong emotional bonds**. The family firm thus constitutes the centre of this **strong familial bond**, since the family members' entire lives revolve around the business. Daytimes are spent working together in the firm, weekends are generally spent in the business catching up with work, and evenings usually revolve around the family dinner where the daily business is discussed in a private setting, all of which indicates a **strong emotional attachment** to the business.

The data suggest that the father's decision to sell the business triggers a number of defence mechanisms for the daughter, based on her **emotional attachment** to the business and her strong **identification with the firm**. More specifically, these defence mechanisms result from possible **fears of losing the focus point of family and social life**, and the **fear of giving up the 'Familienbande'**, hence losing that special family bond that had been created and defined by the family-business context. The father's decision may also trigger more self-directed mechanisms based on **egocentric traits,** including the **fear of losing one's identity**, **social status and empowerment**, or **feelings of shame towards staff,** causing the daughter to oppose the father's proposed decision.

With the father still pursuing the sale, these fears turn into feelings of **anger and frustration**, and feelings of **being betrayed and let down,** based on the daughter's **strong emotional attachment** and devotion to the business, and her **pride** in the family firm that has been shaped over the past decade, causing even stronger resistance. It is notable that at the beginning, the mechanisms causing the daughter **to oppose the sale are mainly driven by family-related mechanisms** (e.g. fear of giving up the Familienbande), which during the course of the process turn into more self-related mechanisms deriving from the family entity as well as from the family-business relationship, such as **anger, disappointment, fear of letting go, and fear of losing identity, social status, and empowerment**.

The strength of these mechanisms is indicated by the daughter's unwillingness to back down, despite the illness of her mother, her father's majority stake in the business, knowledge of the sacrifices her parents had made to build up the company, her father's planned retirement, and the price offered for the firm. Instead, the daughter risks a substantial family crisis, threatening her parents with complete **deprivation of love** if they give up what defines the family and the relationships within, that is, the family firm.

Explanation of father's actions:
Father's intention to sell; inviting investors for due diligence; driving sale forward; giving in to offspring's desires to keep business

In Case 1.2, four specific events revolve around the father's actions. These are Event 2.1, the father communicating his intention to sell, Event 3, his decision to invite potential investors for due diligence despite strong resistance from his daughter, fuelling the daughter's anger and resistance, Event 7,the father's decision to drive the sale forward, leading to an escalation of the family conflict, with the daughter threatening never to speak

to her father again, and Event 9.1, the father's decision to give in to his offspring's desires to keep the business. These events can be separated in two main behaviours: firstly, the father's desire to sell, and secondly, the father's final decision not to sell.

In explaining the father's intention to sell, various possible explanations emerge from the empirical data, including **egocentric traits** based on the **father's dominance** within both the family and the business – which is indicated by the way he would take decisions throughout his leadership of the business and his **trust relationship** with his wife:

> *Quote 1.138: "Well, up until the purchase of the last machine it always was my dad, as he simply still holds the reins in his hands." (Daughter, Firm 1, 2010)*

> *Quote: 1.139: "In my case it was actually quite interesting. My dad didn't actually really give me a choice in what I wanted to train for after school." (Daughter, Firm 1, 2010).*

In other words, throughout his career the father has been extremely business driven, with the business taking over his and his family's entire lives. Based on the initial interviews, it could be assumed that the father's intention to sell the business was mainly business motivated and driven by egocentric traits, that is, reaping the rewards of a lifetime's work. However, subsequent interviews revealed new insights into the father's life history and a more holistic perspective of the firm in general. Combined with his **altruistic behaviour towards his offspring in previous decisions** (e.g. Case 1.1), more relevant mechanisms could be revealed to explain the father's intention to sell, including his devotion to his wife and offspring and his desire to facilitate a better life for his children.

> *Quote 1.139: "He didn't want his kids to go through what we went through. You know, when we took over there was basically no firm. The business was nothing more than a mountain of debt. I think I told you that before, the firm was completely bankrupt. And we had many years of suffering and sacrificing, always worrying whether we were going to make it, whether we were going to survive. It is such a hard business and he just didn't want to push his kids into it, he wanted them to have a better life, a family life without all the worrying. He didn't want to leave them with the same burden." (Mother, Firm 1, 2013)*

In other words, the father's intention to sell the business can largely be explained by his **love and devotion towards his offspring,** aiming to protect them from going through the same struggles he and his wife had to go through over the past 30 years.

> *Quote 1.140: "My illness really showed what stress can do to you. Yes. It definitely played a role, too. He didn't want [daughter] and [son] to go through something like this." (Mother, Firm 1, 2013)*

Hence, the offer on the business presented an opportunity to break the cycle of constant sacrifices, including no holidays, working seven days a week, and the constant pressure to perform in a difficult market environment. The father's intention to sell shows that his desire to protect his offspring weighs more heavily than his desire to perpetuate the business as a family firm:

> *Quote 1.141: "It's obviously been very important for me [to keep the business], you really feel a sense of tradition when you've inherited the business from your father and really put your shoulder to the wheel for 30 years, as one says, so it moves forward and flourishes, and then you really feel attached to it and you are glad when there are kids." (Father, Firm 1, 2011)*

Hence, it can be argued that the offer the father received on the business triggered a number of **family-related mechanisms**, including **marital commitments, his love for his wife, his love for his offspring, and his desire to protect his family and in particular his offspring**, causing the father to communicate his intention to sell, and his attempts to drive the sale forward.

Only when the daughter threatens him with deprivation of love and future contact does the father give in and decide to keep the business. This exemplifies the co-dependency between parents and offspring, causing the father to act altruistically towards his children whilst clearly threatening his own welfare, the welfare of his wife, and potentially the future welfare of his offspring. As pointed out earlier, this has been referred to as the Samaritan's Dilemma (Buchanan, 1975).

Explanation of mother's actions:
Mother remaining passive; mother supportive of father; mother agreeing to reject the offer

The mother's actions are reflected in Events 2.2, 7.1, and 9 with the mother, after remaining passive at the beginning, largely following the father's lead. As the father announces his decision to sell the mother remains passive rather than fully supportive of the father, although she would profit the most (if not financially) from a potential sale for a number of reasons. Firstly, a sale would aid the father's retirement, giving the couple more time to enjoy together, without worries about the business and related threats to family welfare further straining their relationship. Secondly, selling the business would benefit the mother's health, since the causing factor of her illness – the family firm and the related factors of pressure, stress, uncertainty, time constraints, and so on – would be dissolved, whilst the offer would provide the family with lifelong financial security.

The reason why the mother remains passive is likely to result from her role in the **family-business relationship** and subsequently her current position in the **Familienbande**. Since she left the business the mother has felt excluded from the Familienbande and is currently in the process of reintegration (see Case 1.1). Taking clear sides may harm her fragile status in the Familienbande, possibly threatening her further integration. Therefore, her **fear of exclusion and loneliness** and her **desire to belong** influences the mother's choice to remain passive.

Although eventually siding with the father, the mother remains in the background throughout the decision-making process, aiming to **mediate** between the parties (father vs. offspring). This indicates that the mother has found her way back to her previous role within the business:

> *Quote 1.142: "And I am really always the person, the mum, and how shall I say, the point of refuge, <u>the mediating point</u>, the soothing point, the loving point, yes, it's always like this, then, that I want harmony in here and say, now come, take a look, you have to, you should give in, and so on." (Mother, Firm 1, 2011)*

On the other hand, the mother's attempts to mildly convince her offspring to give in to their father's intentions indicate her desire to sell the firm. Nevertheless, in the end, she agrees to the keep the business, despite the threat to her health, the prospect of further

strains on her relationship, and justified fears that her offspring will have to make similar sacrifices throughout their lifetimes:

> *Quote 1.143: "Hmm. In the meantime [about a year after the decision was taken] it has been very critical, where she [daughter] just … said, mum, I'm so young now, so many years younger than you, and I'm really in the same place as you are now [allusion to the illness] … She said, I need more help, I can't manage that anymore … she really freaked out in her head, well, anxiety attacks." (Mother, Firm 1, 2011)*

Thus, similar to the father, the mother is faced with the Samaritan's Dilemma resulting from a **co-dependency** with her offspring. Her **fear of exclusion** from the **Familienbande** forces her to act **altruistically,** possibly threatening her personal health and welfare for the benefit of her children. As in the first case, this explains the mother's decision to finally agree not to sell the business.

Concluding results from Case 1.2

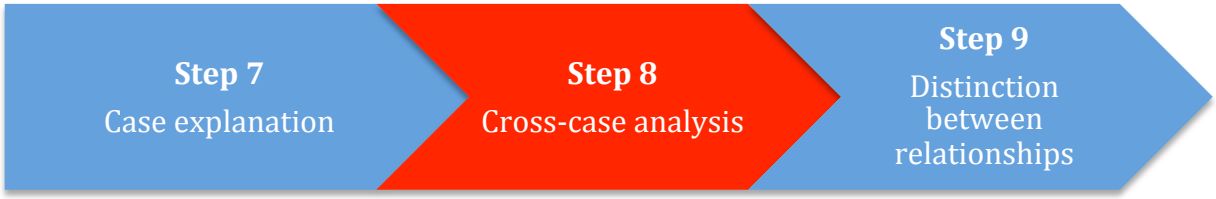
Case 1.2 revolves around a friendly offer on the family firm, which was well-received by the parents but despised by the offspring, and in particular by the daughter, resulting in a family crisis. In this case, the father's desire to sell the family business can largely be explained by **family-related drivers**. Specifically, the father's actions to drive the sale forward can be linked to his **love and care for his offspring,** as well as to his marital commitments. The latter are largely defined by the illness of his wife resulting from **pressure, anxieties, stress, and strains on the relationship** exerted by the family firm. The former is related to the **fear that his offspring will have to make similar sacrifices** as those of their parents, including **strains on their relationships, constant pressure to perform and dependency on the business**, the firm taking over family life, the ever-present threat to family welfare, stress and exhaustion; as a result, the father desires a better future for his offspring, which in turn can be attributed to the father's love and care for his children.

The offspring's actions are influenced by mechanisms emerging from both the family entity and the family-business relationship entity, including the **fear of risking the close family relationship by giving up the 'Familienbande'** and the accompanied

memories of such. This is combined with a **fear of losing their identity**, which is defined by the family-business relationship, with the offspring growing into the business and their entire lives revolving around the family firm. These mechanisms outweigh the prospect of living a wealthy life without financial worries.

Again, the mother takes on a special role within the decision-making process due to her position within both family and firm, which was recently turned upside-down by her illness and her subsequent resignation from the TMT. Since her retreat from the business the mother has faced **fears of exclusion** from the family, causing her desire for re-involvement in the business, which is based on the goodwill of her family members. These fears of exclusion largely explain the mother's decision to remain neutral throughout most of the decision-making process, despite her potential gains from the sale of the company. By agreeing to reject the purchase in the end, she is clearly driven by **altruistic behaviour** (family-oriented altruism), harming her personal welfare for the benefit of her offspring. Thus, the mother's behaviour is driven by family-related mechanisms, including the **desire to belong, fears of exclusion**, and **altruistic traits**.

5.1.3 Cross-case within context analysis



Step 8 – Cross-case analysis: Within each firm, two cases were selected. By looking at both cases in Firm 1, it can be seen how the underlying structures (interrelated mechanisms) are elaborated and/or transformed by social interaction (Figure 5.15). For example, in Case 1.1 the author has identified the strong identification of the daughter with the firm, causing her to convince her father to invest in the new piece of equipment. By investing in the new machine, it has been shown that the father acted largely altruistically based on his love and care for his daughter. The investment worked out as profitable, hence the daughter's identification with the business increased (increased pride in the business), which can be seen in her determination to fight for the business in Case 1.2. Similarly, having experienced the pride of the daughter in the business (Case 1.1), the father made an even more substantial sacrifice by not selling the business in Case 1.2. This has been referred to as morphogenesis or structural elaboration (Archer, 1995), i.e. the transformation of social structures (interplay of generative mechanisms) based on social interaction (events).

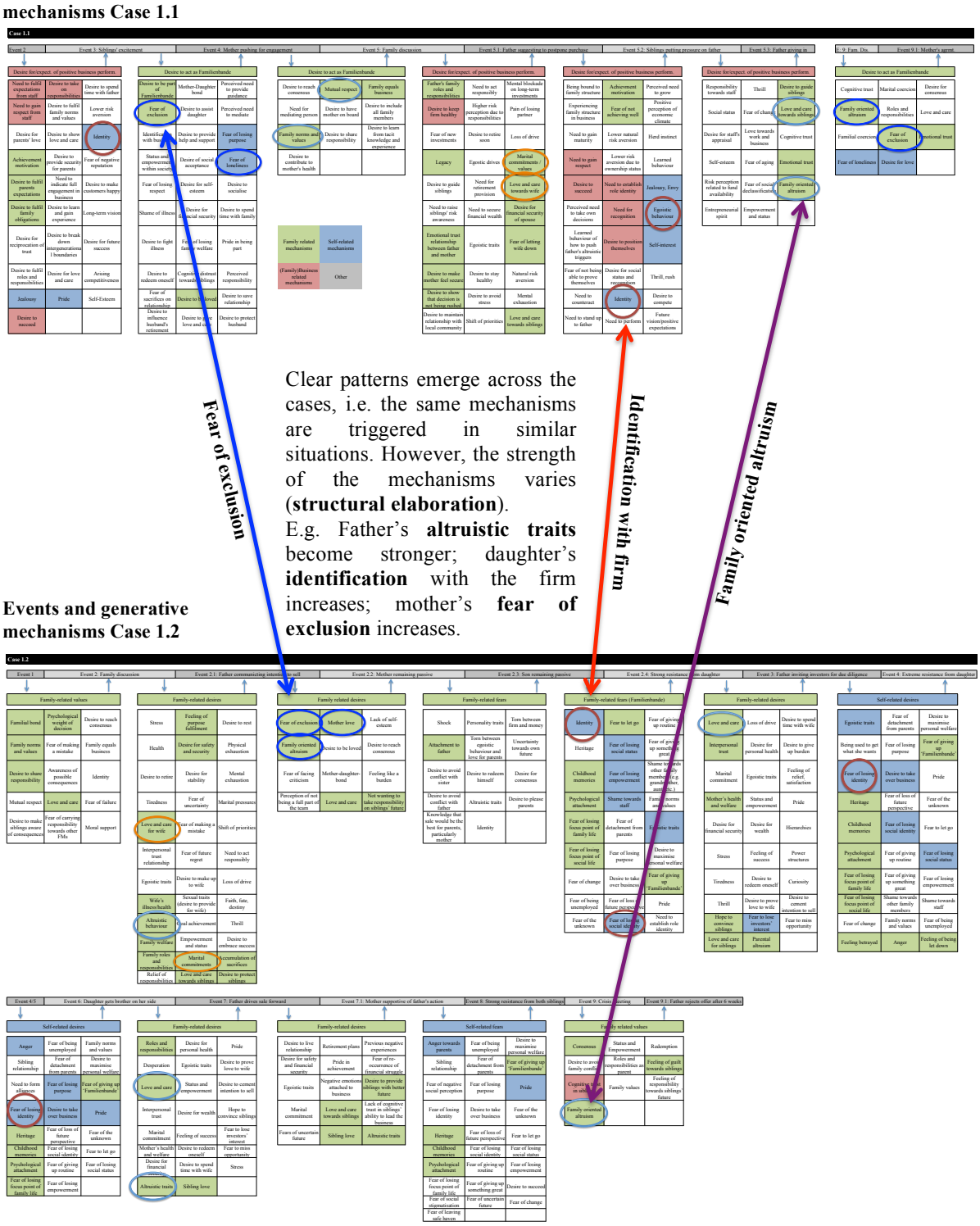


Figure 5.15: Cross-case analysis of Cases 1.1 and 1.2 (coding sample: structural elaboration) (Original in colour)

Despite the different character of the two decisions, there are recurring patterns in the individuals' behaviour across the two cases. Throughout both decisions the offspring are driven by mechanisms emerging mainly from the family context and partly from the

family-business relationship (see Appendix IV). In Case 1.1, this behaviour resulted in the offspring putting pressure on the father to pursue a decision he would rather have pursued in a few years time, hence threatening the mother's recovery from her illness and the father's retirement plans due to potentially increased workloads and additional financial pressures for the family. In Case 1.2 such behaviour is reflected in particular in the daughter's behaviour, in an even more extreme manner – again going against her father's decision and constantly increasing the psychological pressure on her father, forcing her father to give in (co-dependency) and act against his own will and the potential welfare of the family (considering that at the time of the decision the father held the majority vote within the business). The offspring's behaviour is thus largely driven by mechanisms emerging from the family context and the family-business relationship, indicated by their strong identification with the business. Having grown up in the business and having had that close connection with the family firm over the course of their lifetimes, it can be argued that the offspring are characterised by a strong relationship with the family firm. In other words, the firm constitutes the defining factor of the offspring's social perception. This identification with the firm is reflected in the offspring's actions in both cases.

Structural elaboration

Looking at the father's and the offspring's behaviour, it can be seen how the existing structures are elaborated through social interaction (morphogenesis). In Case 1.1, the offspring put pressure on the father causing the father to give in, resulting in an adaption of the relationship between father and offspring: the offspring become more powerful, knowing how to leverage the father's altruistic behaviour. Due to the co-dependency between father and offspring, the father becomes simultaneously weaker, causing him to act in the offspring's favour whilst threatening his own welfare. This shift in the power relationship reoccurs in Case 1.2, where the offspring, and in particular the daughter, increase the pressure to such an extent that the father takes a decision that substantially harms his personal welfare, the welfare of his wife, and potentially the welfare of his offspring in the long-run. Similarly, across the two decisions it can be seen that the offspring's identification with the firm increases, which is reflected particularly by the daughter's comments on being proud of what has been achieved. Hence, the relationship between the daughter and the firm is elaborated by social interactions. In the case of the parents, structural elaboration is reflected in a growing 'aversion' towards the business,

indicated by the father being more concerned with family welfare than with firm performance (Case 1.1) and his willingness to sell off the business for the benefit of his family (Case 1.2), or the mother having devoted a lifetime's work to the business, saving it from bankruptcy early on, and sacrificing her health and wellbeing to for the benefit of the firm, leading to a growing aversion towards the business, weariness about committing to further investments, and her willingness to sell off the business.

This structural elaboration indicates the importance of individuals' life-cycle stage, as well as the age or generation of the family business as such. With regard to the former, it can be argued that the more the individual interacts with the business, starting from childhood, through young adulthood, family life, retirement and further, the more the relationship between the individual and the firm evolves (identification with the business). However, with maturity and the start of a family, new social relationships emerge and grow, potentially leading to new priorities slowly overriding the existing relationship with the business, which impacts on the decision-making behaviour of members of a family firm. It is expected that at younger ages, self-related mechanisms are particularly strong due to strong identification with the business. With family life, altruistic traits are likely to develop, which affect older individuals' decision-making behaviour (Lubatkin et al., 2007).

Resulting from the cross-case analysis of Cases 1.1 and 1.2, the following decision-making framework is proposed to explain *how* the family-business relationship influences strategic decision-making processes in Family Firm 1 (Figure 5.16):

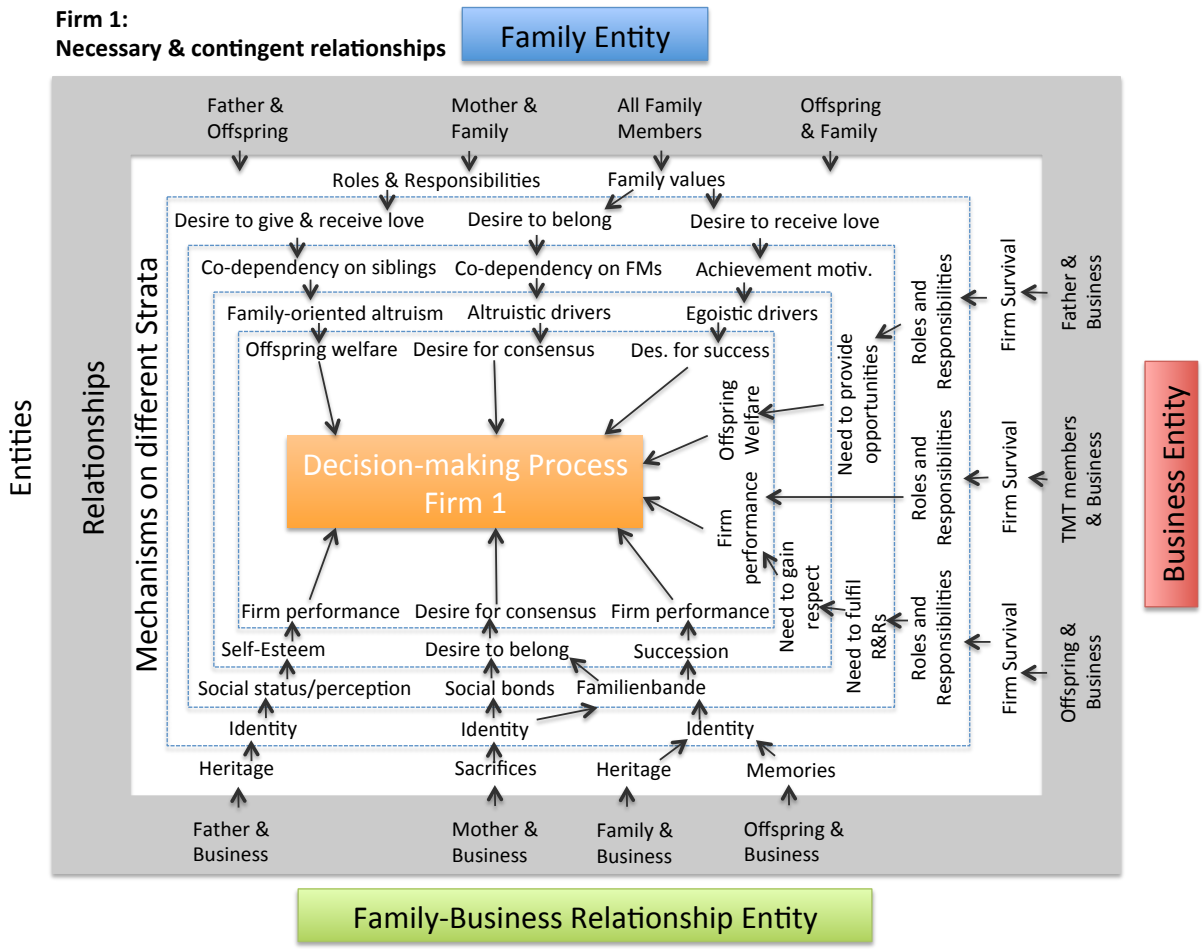


Figure 5.16: Decision-making process in Family Firm 1: Summary of influences on strategic decisions.

Figure 5.16 summarises the generative mechanisms influencing the strategic decision-making processes in Family Firm 1. It is shown that the family entity exerts a strong influence on business strategy, causing the parents to act altruistically, whilst enabling the offspring to be driven by egocentric behaviour. As a result, the parents are willing to accept their offspring's actions and desires, despite potential harm to their own personal welfare. The framework also indicates the mother's dependency on her offspring, causing her to act altruistically in order to satisfy her desire to belong and to be part of the Familienbande. The strategic decision-making process in Family Firm 1 is also influenced by mechanisms emerging from the family-business relationship entity, such as a strong sense of belonging and an increased desire for consensus in strategic decision-making. However, some of the mechanisms outlined above are based on contingent relationships and are therefore case-specific. One of these contingent relationships is, for example, the relationship of the mother with the firm. The relationship of the mother with the firm is

unique to Family Firm 1; hence the mechanisms resulting from this relationship can not be attributed to other family firms. This leads to Step 9 of the analytical framework: the distinction between contingent and necessary relationships in order to develop theory on the strategic decision-making process in family firms.

5.1.4 Towards the development of a theoretical framework from Cases 1.1

Step 9 – Distinction between contingent and necessary relationships: Easton (2010) highlights the importance of distinguishing between contingent and necessary relationships in theoretical development. Contingent relationships are unique to a specific event, case or context (e.g. the mother's illness in Cases 1.1 and 1.2, which is only relevant to context of Family Firm 1), i.e. they explain the particular, whereas necessary relationships are reoccurring relationships in similar contexts, such as the decision-making process in the family firm. Most events or phenomena can only be 'fully' explained by conjunction of contingent and necessary relationships. However, theoretical advancement derives from the identification of reoccurring relationships triggering the same mechanisms in similar instances. In other words, due to their consistent nature, it is likely that necessary relationships (e.g. family relationships) trigger the same mechanisms (e.g. desire for love and care, altruistic traits) in similar contexts (decision-making processes in family firms). Appendix III distinguishes between the generative mechanisms emerging from necessary relationships and contingent relationships for the events of Case 1.1. Appendix IV lists the generative mechanisms based on necessary relationships for Cases 1.1 and 1.2. Since mechanisms based on necessary relationships tend to reoccur in similar contexts or situations, they contribute towards theoretical development.

Based on the generative mechanisms emerging from necessary relationships for Firm 1, the following decision-making framework is proposed (Figure 5.17):

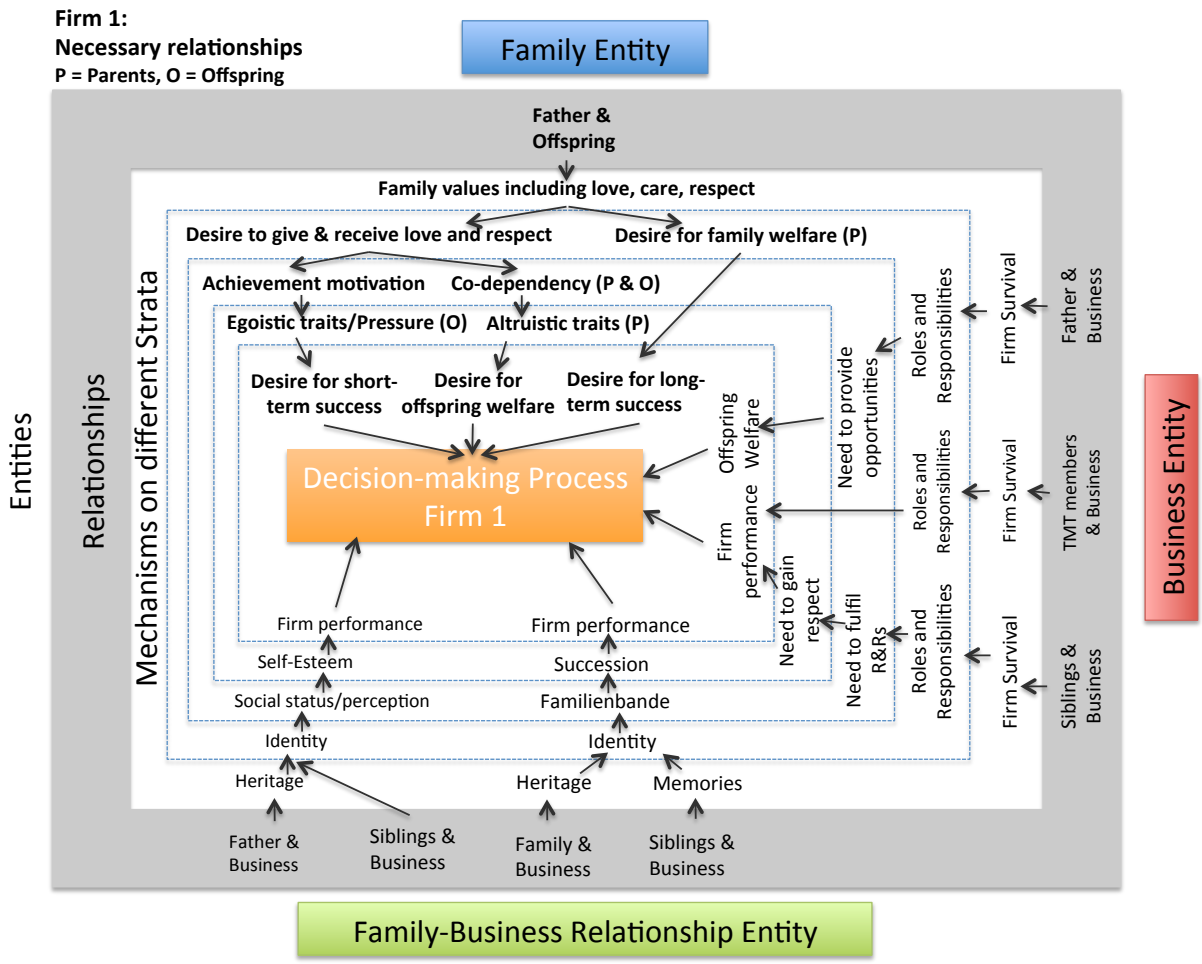


Figure 5.17: Mechanisms emerging from necessary relationships (Firm 1)

Figure 5.17 shows that both decision-making processes are influenced by three main entities, namely the family entity, the family-business relationship entity, and the business entity. The father's actions can largely be explained by family-related mechanisms, including love and care for his offspring, his desire to give and receive love and the corresponding co-dependency with his offspring, resulting in altruistic traits that trigger a desire for the offspring's welfare, ultimately causing the father to give in to his offspring's desires, hence substantially influencing the decision-making process in favour of his children.

On the other hand, the offspring are mainly driven by self-related mechanisms resulting from the different entities. In Firm 1, the offspring's egocentric drive emerges from various sources. Firstly, the offspring's behaviour is influenced by the family entity, based on the desire for love and reward and the resulting motivation to achieve (achievement motivation), which is reflected in the offspring's desire for the firm to perform well. Further, the offspring's actions are driven by mechanisms emerging directly

from the business entity, including their desire for succession and the corresponding need to gain respect within the business, again explaining the offspring's egocentric behaviour and their desire for the firm to perform well. Lastly, the family-business relationship has been identified as a driving force, particularly for the daughter, exerting mechanisms based on identity, heritage, and psychological attachment to the firm resulting in a feeling of belonging (Familienbande), influencing the daughter's strategic behaviour throughout the decision-making process, but particularly in Case 1.2.

Thus, for both the offspring and their father, the family entity constitutes the main influence on strategic action. This is indicated by the interaction between parents and offspring within the business, which closely mirrors the structures fundamental to family life – specifically, the desire to give and receive love and care, the offspring's desire to achieve well and make their parents proud, the parents' desire to reward the offspring, and the strong family-oriented altruism resulting from the parents' desire to receive love and respect, leading to their co-dependency with their offspring.

For the offspring in particular, the family-business relationship entity also constitutes a strong source of influence: in Firm 1 this is indicated by both the offspring showing a strong emotional and psychological bond with the business, stemming from childhood memories, and leading to a particularly strong personal identification with the family firm. Having grown up in the business and with all members of the family engaged in the business, the family business not only constitutes a workplace but also the centre of familial life in small- to medium-sized firms, further strengthening the bond between the offspring and the business. In Firm 1, this strong connection with the firm has shown to be a major driver, particularly for the offspring's motivation to perform.

5.2 Analysis of Family Firm 2

Family Firm 2 is at a similar point in its lifecycle to Firm 1. Firm 2 has two generations owning and actively managing the business, and is approaching its transition from the second to the third generation. The father is still in control, owning the majority stake in the business and occupying the role of CEO. Similarly to Firm 1, substantial roles and responsibilities have already been transferred to the offspring, who are all in their mid- to late-twenties. In terms of family members' ages, the family members of Family Firm 2 are about five years younger on average than the family members of Family Firm 1, and therefore at a slightly earlier stage of their individual lifecycles, implying a shorter period

of active involvement in the business and a few more years before the parents retire. Due to the similar age and size of the businesses, similarities in the mechanisms at work influencing business strategy are expected.

Two decisions have been examined. The first decision is an investment decision focussing on the development of a new flagship store, driven forward by the eldest son; the second decision constitutes a change in the firm's marketing strategy, also introduced by the older son.

The causal maps (Appendix I) indicate that the decision-making process as such is similar to the decision-making process in Firm 1, with early involvement and consultation of all family members with regard to the strategic decision, generally in the form of a private 'family board', i.e. an unofficial meeting with the members of the family, usually in the private setting of the family home. Within this meeting, family members are asked to state their personal views and 'gut feelings' about the decision, based on limited information in terms of financial or market data. These meetings are thought to substantially shape the subsequent proceedings of the decision; they can be seen as an indicator of the importance of the family in strategic decision-making. Once the family perspective has been clarified in the initial family meeting, further research is conducted. The family meeting is followed by more formal meetings, which may involve additional decision-makers within the firm. The formal board meeting clarifies roles and responsibilities and results in a decision based on financial and market data, and is followed by the implementation of the decision.

Following the analysis process outlined above, the following mechanisms emerging from necessary relationships were identified for Cases 2.1 and 2.2 (Tables 5.35 and 5.36, see also Appendix V):

Case 2.1:	
Generative mechanism Father = F, Son = S	Entity F/B/FBR
Desire for family welfare (F)	**F**
Desire for love, care, respect (F+S)	**F**
Family values (F+S)	F
Family-oriented altruism (F)	**F**
Desire for offspring's welfare (F)	**F**
Achievement motivation (S)	**F**
Desire for success (S)	**F**
Roles and responsibilities (F+S)	B
Desire for firm's survival and performance (F+S)	B
Need to provide opportunities (F)	**B**

Need to live up to responsibilities (S)	**B**
Need to fulfil roles and responsibilities (F+S)	B
Need to gain respect (S)	**B**
Identity / identification with the business (F+S)	FBR
Family bond (F+S)	**FBR**
Heritage (F+S)	FBR
Memories (S)	FBR
Social status / perception (F+S)	FBR
Self-esteem (F+S)	**FBR**

Table 5.35: Summary mechanisms for Case 2.1

Case 2.2:	
Generative mechanism Father = F, Son = S	Entity F/B/FBR
Desire for love, care, respect (F+S)	**F**
Family values (F+S)	F
Family-oriented altruism (F)	**F**
Achievement motivation (S)	**F**
Desire for offspring's welfare (F)	F
Egocentric drivers (F+S)	F
Desire for success (S)	F
Roles and responsibilities (F+S)	**B**
Desire for firm's survival and performance (F+S)	B
Need to provide opportunities (F)	**B**
Need to live up to responsibilities (S)	**B**
Need to fulfil roles and responsibilities (F+S)	**B**
Need to gain respect (S)	**B**
Identity / identification with the business (F+S)	FBR
Family bond (F+S)	FBR
Social status / perception (F+S)	**FBR**

Table 5.36: Summary mechanisms for Case 2.2

The mother occupies the role of the mediator, and is characterised by more cautious behaviour. Her main drivers for her actions emerge from the family entity, which is indicated by her focus on family welfare, love for her husband and offspring, an increased desire for consensus and a general aversion to capital-intense decisions.

> *Quote 2.1: "I have to confess here, I was also the only spanner in the works then with this project at the time … I really didn't feel like making such an investment once more, where I simply say, you simply always walk forwards, forwards, forwards and plan things or projects time and again, and of course that always takes an extreme amount of strength, to always finance that again, to master it and cope with it in addition to everything else."* (Mother, Firm 2, 2012)

Quote 2.2: "Family is certainly the most important thing of all, and above all just to keep the harmony then … you also have to keep calm, yes, just discuss things together decently. The fact is, you mustn't take anything home from here and you shouldn't bring anything here from home either." (Mother, Firm 2, 2012)

The son can be characterised by high achievement motivation, indicated by his ambition to gain respect from his parents and in particular from his father. This is shown by frequent consultation with and the desire for reassurance from his father throughout the first case, and his appreciation of increasing trust from his parents in his actions.

Quote 2.3: "You don't talk to everyone straight away, but you prepare the ground a bit, talking to dad." (Son, Firm 2, 2012)

Quote 2.4: "The whole thing really more or less came out of my head and therefore it was … also something that is my job, or my area of responsibility … And sure, he [father] of course says in the end, have a look whether it's worthwhile … well, up to the partitioning of the shop both the managing directors kept out of it completely … that was really a true proof of confidence … that was so great that there really was such confidence." (Son, Firm 2, 2012)

Quote 2.5: "Close family … gives security. Well, if I knew now, yes, my dad would not be there at all anymore, my mum and so on, of course that would be quite different. That's quite clear, that is of course lovely if there is just someone still standing firm as a rock, where you know you can, yes, you can always get advice." (Son, Firm 2, 2012)

The son's desire to perform well in order to gain respect from his father is further indicated by the son's behaviour throughout the second case, in which he aims to act more independently (learned behaviour from the first case: morphogenesis) in order to impress his father by the creation of a new marketing campaign.

Quote 2.6: "But now in general I think, in all of the areas where I put projects into practice, where they leave my hands relatively untied, yes, that is really quite good." (Son, Firm 2, 2012)

Quote 2.7: "Sure you have conflicts ... it just gets emotional, well, without becoming personal and without extremely bad language, but that's also important and that's more or less how boundaries are drawn." (Son, Firm 2, 2012)

The quotes above indicate that the son's motivation is partly fuelled by the expected rewards from his father, that is, increased independence, cognitive trust (Sundaramurthy, 2008), and growing respect for his actions, highlighting the importance of family-related drivers. However, occupying the role of the CEO-to-be, the son is also driven by the need to gain respect within the firm from other family members, staff, and clients and customers.

Quote 2.8: "I have been designated as managing director for some time in the future, and because of that it's, I can't say I am only in charge of marketing." (Son, Firm 2, 2012)

Quote 2.9: "15 years ago I was just the junior who then had crazy ideas and who, of course, still also made a complete mess of things ... and all of a sudden you are the boss, of course the transition is a bit difficult, but that's also a thing that you prove yourself, of course." (Son, Firm 2, 2012)

Particularly in the second case, this offers an explanation of why the son took matters into his own hands in order to fulfil his roles and responsibilities, and proceeded with the new advertising campaign without consulting his father.

Further, additional drivers influencing the son's actions emerge from the family-business relationship entity. One of these drivers is the family's strong identification with the business, as well as the origin of the family and the business as such.

Quote 2.10: "We originally come from the Czech Republic, from Bohemia, Sudetenland ... Yes, and now we are slowly but surely fourth, yes, you can therefore say fourth generation, but really ... looking at it from who really did what, it is the third generation." (Son, Firm 2, 2012)

However, although of only minor influence to the son, the family's heritage and origin has always constituted a major driver for the father.

> *Quote 2.11: "Well, we are displaced people, I'm not saying refugees, but people driven away from their homeland … even today and as recently as ten years ago I had massive problems with a musician, who even called me a refugee … well, of course the Allgäu [local region] has always been a problem … at the beginning we always were refugees, all my life I have been a refugee, even as a pupil – refugee boy, Rama [Rama = margarine brand used by people who could not afford real butter] boy, because after all we couldn't afford any butter, so I was the little Rama boy … that of course was a motivation for us to show, hey, we may only be refugee boys, but what did we achieve here and how are we placed now, eh? Well of course you are proud of that, that you, yes, that there was also a drive. Yes, of course it's in this direction, that you are proud to have a family business, because you, yes, because we built this up." (Father, Firm 2, 2012)*

The quotes above also provide an indication of the father's underlying drivers. Although the father can be characterised by high dominance, performance drive, and business focus throughout his working life, partly due to his upbringing and partly due to his personal background and heritage (see following quotes), his own family can be seen as one of the main drivers explaining his more recent actions.

> *Quote 2.12: "Everyone always went to play football and our father always used to say work is sport as well. Well, I cannot remember a time at all when I wasn't working at all. That already started at school, OK, home after school – work too. That was completely normal." (Father, Firm 2, 2012)*

Thus, the data indicate that there are strong family influences throughout the decision-making process. For the son, family influences are existent in the shape of achievement motivation, triggering egocentric traits and an increased desire for firm performance. Thus this string of subsequent mechanisms can be seen as being motivated by rewards from the parents in terms love, acknowledgment, positioning within the firm, increased cognitive trust and responsibility.

Quote 2.13: "Both the managing directors kept out of it completely … that was really a true proof of confidence." (Son, Firm 2, 2012)

For the parents, family influences are reflected in increased altruistic behaviour towards their offspring, resulting from co-dependency between the parents and their offspring, with the parents aiming to motivate their offspring to succeed in the business and carry on the parents' legacy. Similar to Firm 1, it can be seen that, despite the previous success of the parents in the business (business growth over past decades, building up a strong business since taking over a firm close to bankruptcy from the grandparents) and a clear focus on business performance going hand-in-hand with great sacrifices of their own welfare and family life, family welfare and love and care for their offspring, reflected in altruistic behaviour, gain precedence in their decision-making at their current lifecycle stage (as opposed to more egocentric behaviour in previous stages of their lives). In other words, the parents (father) are more willing to potentially sacrifice performance by giving up some control and various responsibilities to their offspring, allowing them to make mistakes even in situations where large amounts of financial resources are at stake. Similar to Firm 1, this partly derives from the father's own upbringing and the resulting desire to provide the offspring with a better entry into the family business:

Quote 2.14: "I cannot remember a time when I wasn't working at all. That already started at school, OK, home after school – work too. That was completely normal … Only after he died, 1980, did I really know that we had been broke for a long time already, because father really was a completely different type of person from me, yes we were allowed to work, but information about the company, zero, balance sheet, zero … the company was broke … That meant I first had to sell a house for six families in order to survive at all … he was on his death bed, we then signed the contract; he didn't let us get a foot in at all, so it's the complete opposite, that's when I thought, well, I never want to treat my sons like that, and I also never want to hand on the company like that … Fortunately he died. Well don't misunderstand me, of course that sounds macabre, but sure, at that moment it just was a solution … if he hadn't died he would never have left.." (Father, Firm 2, 2012)

This leads back to the parents' co-dependency on their offspring and their desire to receive love and respect from their offspring during and after working life, ultimately resulting in the father's altruistic behaviour and willingness to give up responsibilities.

In contrast to Firm 1, however, it needs to be recognised that the family members of Firm 2 are on average about five years younger, which is partly reflected in the parents' behaviour. Whilst in Firm 1 generational transition is imminent, the older generation of Firm 2 is still a few more years away from retirement, which is reflected in the father's priorities. Specifically, it can be seen that in Firm 2, the father is somewhat torn between altruistic and egocentric behaviour, that is, between giving up responsibilities to his successor and not doing so.

> *Quote 2.15: "Yes, sure. I believe there is then always a certain type of generation gap, and then of course it's natural that the youth have got completely different ideas of particular things, eh, just last week we had a project, we are just doing flyers for a motorcycle magazine for the very first time, I had a different opinion then how to design such a flyer ... I still hold a bit of a different opinion there, but I do allow myself to, yes, hmm [considers], not be convinced, because I imagine my brand like that, but I do say then, OK, I voiced my objection now, maybe we can come to a compromise, and that's what we did then." (Father, Firm 2, 2012)*

> *Quote 2.16: "You do have moments of friction from time to time, but in the end it is important that you then get to this point again where you say, OK, we've exchanged our views about this in whatever emotional form ... but that's also important and that's more or less how boundaries are drawn." (Son, Firm 2, 2012)*

This was also the case in Firm 1 prior to the decisions examined, reflected in the offspring's statements such as 'up until the last decision it was definitely dad who decided' or 'yes, it was always the father who held the reins in his hands'.

This supports the findings made earlier in Cases 1.1 and 1.2 that the individuals' lifecycle stage plays a crucial role in their behaviour and in how the family context influences strategic decisions in the firm. In earlier stages of their life within the firm, the actors can be characterised by egocentric behaviour (albeit resulting from the family context, as explained earlier) and an increased desire for firm performance and/or growth. This behaviour is maintained with the birth of the next generation and during their

childhood and teenage years, often at the cost of immense sacrifices to family life. Once the offspring start entering the business in permanent positions, the parental generation falls into a trade-off between egocentric and altruistic behaviour, based on their co-dependency with the younger generation, i.e. parents wanting to encourage the offspring to thrive in and take over the business, thus being forced to give up responsibilities and respond to the offspring's desires in order to keep them motivated and engaged, whilst at the same time following their previous path (pride in own achievements, empowerment, social status, etc.) that led the firm to success. However, with retirement approaching, another change in the parents' behaviour can be observed, that is, the altruistic behaviour takes precedence (family-oriented altruism), causing parents to take actions that may ultimately threaten their personal welfare for the benefit of their offspring. This can be put down to an increasing dependency of the parents on their offspring. In other words, the co-dependency between parents and offspring shifts with parents approaching their retirement – with transition being imminent, the offspring become more powerful within the firm and less dependent (financially and influentially) on their parents due to increased ownership in the firm; at the same time, parents become less powerful, with decreasing ownership in the business and the need to give up competencies and responsibilities in return for their offspring's love and care, which may be reflected in the offspring's willingness to lead the family firm (the parents' life work and legacy) into the next generation.

For Cases 2.1 and 2.2, the following necessary relationships and mechanisms are proposed (Figure 5.18).

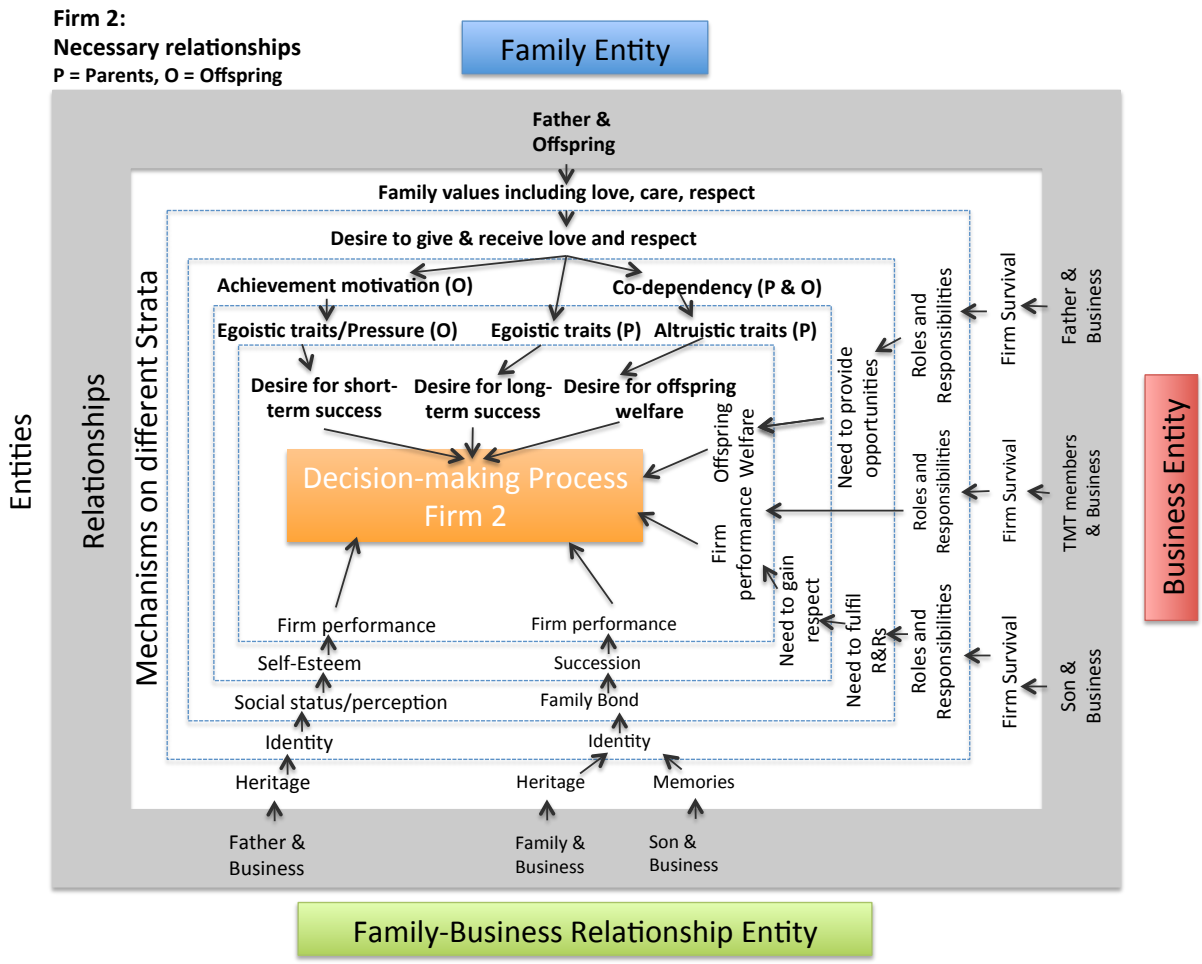


Figure 5.18: Mechanisms emerging from necessary relationships (Firm 2)

Figure 5.18 shows that the family entity has a strong influence (bold) on the strategic decision-making process in Family Firm 2. The offspring are driven by strong achievement motivation, resulting from a strong family bond and the desire to give and receive love and respect to and from their parents. This strong achievement motivation triggers egocentric traits, resulting in a desire for short-term success causing, for example, the son's action to change the marketing strategy without consulting his father. The father's behaviour, in turn, is governed by co-dependency with his offspring – without providing areas of responsibility to his offspring there will be no successor to the family business, and a deprivation of love and respect from his offspring will cause family conflict. This can be seen insofar as the father is torn between a desire to follow his own marketing strategy and trying to provide some sense of freedom for his son. The business entity and the family-business relationship entity exert some influence on the strategic decision-making process. The father's behaviour and actions in particular are driven by a strong identification with

the business, based on his heritage. However, the driving force is the generative mechanisms emerging from the family context.

Although the decision-making processes in Firm 2 differ from Firm 1 with regard to the contingent relationships and the resulting mechanisms, there is similarity across the two firms with regard to the necessary relationships and the underlying mechanisms resulting from these relationships. Both firms are subject to strong family influence. Noticeable differences between the two firms exist in the strength of the mechanisms emerging from the family-business relationship entity and the business entity. While in Firm 1, heritage, identity, and self-esteem (family-business relationship) govern the father's behaviour to a minor extent, the same mechanisms are of greater influence to the CEO of Firm 2 (see Case 2.2), possibly due to the slightly younger average age of the family members of Firm 2. Further, mechanisms deriving from the business entity are stronger in Firm 2 due to the different management structure (ownership and management dispersed between two families) characterised by, to some extent, more regulated procedures resulting in an increased need for the offspring to gain respect in the business and a greater need for the parents to provide the necessary options enabling the offspring to do so.

However, it is expected that the mechanisms deriving from the business entity in particular (clear rules and regulations, clear decision-making procedures) gain influential strength with the increasing size of the business, since decision-making processes become more complex, requiring the input of family-external members of the business (division or department heads) as well as the acknowledgement of legal regulations regarding strategic decisions, wider responsibilities due to the larger number of stakeholders in the company, and an increased need for firm survival, reflected in more formal decision-making structures.

Figure 5.19 summarises the mechanisms exerted by the family entity, the business entity, and the family-business relationship entity influencing the strategic decision-making process in small-sized family firms in the second or third generation.

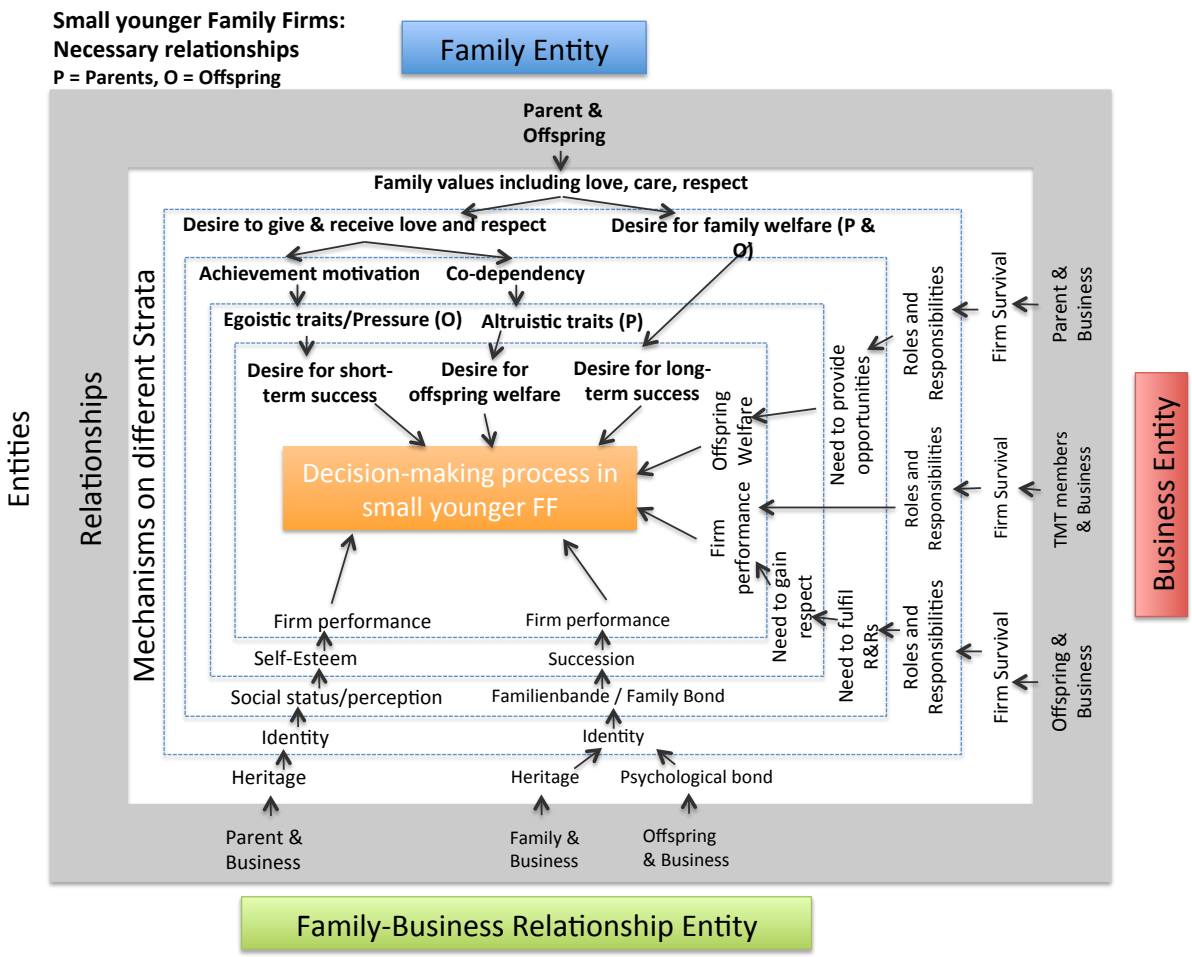


Figure 5.19: Influences on the strategic decision-making process in smaller and younger family firms

Figure 5.19 shows that in small, young firms (based on the analysis of Cases 1.1, 1.2, 2.1, and 2.2), strategic decision-making processes are strongly influenced by the family context. Due to strong family relationships, shared values and belief systems, and a desire to give and receive love to and from other family members, there exists a strong desire for achievement motivation, resulting in egocentric traits among the offspring. The parents' actions in small-sized, younger family firms are influenced by strong altruistic traits, resulting in a desire for the offspring's welfare to the extent of the parents falling into the trap of the Samaritan's Dilemma, in which they tend to harm their own welfare for the benefit of their offspring's welfare and desires. The mechanisms emerging from the family context often overpower the mechanisms emerging from the business context, such as formalised business structures, possibly resulting in a tendency towards irrational (from a pure business perspective) decision-making.

5.3 Strategic decision-making in medium and large family firms (Firms 3, 6, 7)

Firms 1 and 2 are small-sized enterprises, and to find out whether influences on the strategic decision-making process differ with the size of the firm, three additional firms (one medium, two large) were examined. Similar to Firms 1 and 2, Firms 3 to 5 are in their third generation.

Having just completed transition from the second to the third generation, Firm 3 provides a context in which to examine both a decision taken with two generations actively involved in the business, and a decision with only one generation actively involved in the firm's management. Two decisions were examined. The first decision (Case 3.1) constitutes a radical change of the firm's management structure; the second decision (Case 3.2) addresses the implementation of a new growth strategy (for causal maps of events refer to Appendix I). Following the nine-step model introduced in Chapter 3, a number of mechanisms emerging from necessary relationships could be identified for Cases 3.1 and 3.2 (Tables 5.37 and 5.38).

Case 3.1:	
Generative mechanism Son = S	Entity F/B/FBR
Achievement motivation (S)	**F**
Desire for love and respect (S)	**F**
Psychological pressure (S)	**F**
Egocentric traits (S)	F
Self-esteem (S)	**FBR**
Identification with the business (S)	**FBR**
Social status / perception (S)	**FBR**
Heritage (S)	FBR
Regulations (S)	B
Roles and responsibilities (S)	B
Need to gain respect (S)	**B**
Desire for firm performance (S)	B
Need to fulfil roles and responsibilities (S)	**B**
Firm survival (S)	**B**

Table 5.37: Summary mechanisms for Case 3.1

Case 3.2:	
Generative mechanism	Entity F/B/FBR
Achievement motivation (S)	**F**
Desire for love and respect (S)	**F**
Psychological pressure (S)	**F**
Egocentric traits (S)	F
Self-esteem (S)	**FBR**
Identification with the business (S)	**FBR**
Social status / perception (S)	**FBR**
Heritage (S)	FBR
Regulations (S)	B
Roles and responsibilities (S)	B
Need to gain respect (S)	**B**
Desire for firm performance (S)	B
Need to fulfil roles and responsibilities (S)	**B**
Firm survival (S)	**B**
Desire to share responsibilities (S)	B

Table 5.38: Summary mechanisms for Case 3.2

The empirical data indicate that the family context has a substantial influence on the strategic decision-making process of Firm 3, albeit in a different way than in Firms 1 and 2. Whilst in Firms 1 and 2 the family context strongly influences the decision-making process, reflected in the family members' individual actions and behaviour throughout the process, in Firm 3 the family context only influences the CEO's initial intention to take the decision rather than the individual events of the actual process. Put differently, whilst the family entity impinges on the decisions of Firms 1 and 2 throughout the entire decision-making process, e.g. intention to take the decision, offspring's actions, mother's actions, family discussions, consultation of father or other family members, and family votes, in Firm 3 the family context can be seen as influential on the initial intention to take the decision, but not throughout the decision-making process.

What can be noticed is a high standardisation of the decision-making process, reflected in the clear delegation of roles and responsibilities, hierarchical structures, integration of various departments, and a more diversified management team, rather than the family being the single decision-maker.

> *Quote 3.1: "With investment decisions for example – well, the <u>management team</u>. Well, I would say <u>area management and managing directors</u> first have a good look at a topic, discuss different possibilities regarding a topic, demonstrate various ways, and the managing directors then take the final decision." (Younger son, Firm 3, 2012)*

Quote 3.2: "We are two managing directors, business and technological, really, as it used to be, and then really there is also a third authorised person ... then underneath the managing directors there is a level of area managers with responsibility for purchasing and logistics, production 1 and production 2, marketing, sales ... the commercial area, well, bookkeeping and accounting. And underneath that there are also department managers, but that depends on how many people there are in the respective area." (Son, Firm 3, 2012)

Although various family members are actively involved in the business, there is a relatively clear separation between family and business. Hence, with the growing size of the business, the business entity becomes more influential on the decision-making process, with clear regulations and management structures governing the decision-making process, leaving only limited room for family interference, which is shown in Figure 5.20.

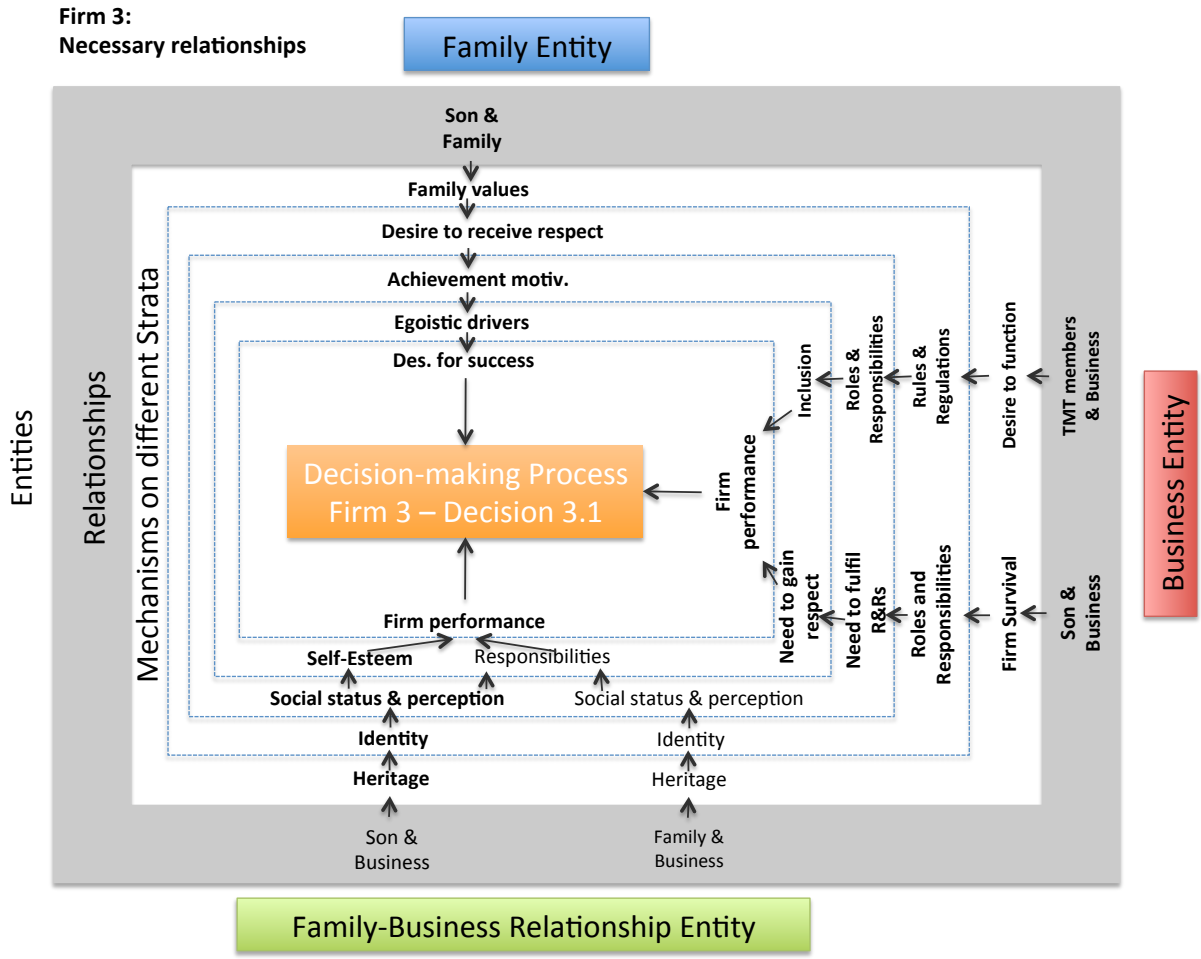


Figure 5.20: Mechanisms emerging from necessary relationships (Firm 3)

Looking at the various entities displayed in Figure 5.20 in more depth, it is noticeable that the family entity exerts influence on the decision-making process, which is similar to Firms 1 and 2 (desire for love and respect, achievement motivation, egocentric behaviour), but only at initial stages of the decision-making process. The son's motivation stimulating his initial intention to pursue the decisions derives from a very strict upbringing under a dominant or patriarchal father, resulting in high achievement motivation and an increased desire for success.

> *Quote 3.3: "My father just also, well he just always wanted to, let's say, yes, bring us into it … it was always a gentle, subtle guiding, which I don't always agree with … I don't know whether it was right, what my father always used to do there, because he just always used to say to us, well you can always freely decide what you want to do, it is your life, and in the second sentence there was always yes, it would be so lovely if someone would carry on with this [laughs] … In this respect it has always somehow been a bit of psychological pressure … I always somehow carried the burden of this whole, yes, this constant pressure of expectation and this attitude, yes, he will just carry it on, yes. Well, which hasn't made it easy for me over many years and still doesn't today either, because somehow I've got the burden of this pressure and expectation on my shoulders." (Son, Firm 3, 2012)*

> *Quote 3.4: "I mean a family business like that, that is not, you don't go to work there, but the whole family stands or falls with such a business. That has just always been a topic of conversation with us; that has just always been present." (Son, Firm 3, 2012)*

> *Quote 3.5: "I would describe myself as ultra-motivated, as ambitious and also as hard-working, and I think I have ambitious goals, I want to grow here in the company, have wanted to do that ever since I have been here." (Son, Firm 3, 2012)*

However, in contrast to Firms 1 and 2, family influences are limited to the intention to pursue a decision and the overall motivation to perform, rather than constantly impinging on the actual decision-making process. That is, family interaction or consultation remains limited despite a very close connection between the family and the business, due to the size

of the business and the subsequent changes in the management structure imposed by the son.

> *Quote 3.6: "There was also a time when I sought advice ... but for the decision process in that sense, I don't really need that anymore now." (Son, Firm 3, 2012)*

As indicated in Figure 5.20, the family-business relationship entity constitutes an important driver of strategic decision-making behaviour in the family firm. With the growing size of the business, the family firm becomes increasingly exposed to, enmeshed in, and scrutinised by the local community, since the firm serves as an important employer for the local region with an increasing number of people dependent on the success of the firm.

> *Quote 3.7: "I have always been driven by the fact that people work here whom I take seriously and whom I respect, and if I ever have doubts somehow about what I'm doing here, then I think of their families and add up the heads and say to myself, if 340 members of staff here somehow have three dependents each as well, then that is a lot of people whom I am somehow responsible for. And I have that as baggage and that gives you an incredible amount of strength." (Son, Firm 3, 2012)*

> *Quote 3.8: "I also live in the village here ... you cannot just sit outside your front door for once [laughs], yes, that's a bit difficult ... that is double-edged, well, on the one hand, I mean, of course somehow you completely live with the company, but on the other hand of course you are somehow still a private person and that is really a bit difficult ... I buy a new car ... people talk about it ... of course I always have to pay attention a bit, yes, what am I doing at the moment, so that nobody talks nastily." (Son, Firm 3, 2012)*

With the increasing size of the family firm, the family-business relationship entity becomes increasingly important in relation to the family entity (the son serves his employees and cares for the local community as employer to more than a quarter of the village's population; at the same time, neither the father nor the family has an influence on the strategic decision-making process due to structural changes in the firm's management). The above comments indicate the son's strong identification with the business, reflected in his behaviour (e.g. not sitting outside on the doorstep, or reflecting on his car purchase),

triggering an increased desire for positive public perception, self-esteem, and real and perceived responsibilities towards the firm's stakeholders and in particular the local community.

In addition, the business entity gains in strength (introduction of new management structure limiting family influences on strategic decisions) increasingly affecting the strategic decision-making processes in the family firm. Employing an increasing number of employees puts added pressure on the firm to perform well and ultimately to survive, since the outcome of strategic action carries more weight as it will directly affect the lives of more people. Thus, with the growing size of the business a more structured approach towards management and decision-making is required, often involving family externals directly (as part of the TMT) or indirectly (division or department heads) in the decision-making process.

It is expected that this shift in power from the family entity towards the family-business relationship entity and the business entity further increases with a growing number of employees leading to more structured decision-making procedures, hindering family involvement, especially from family members not actively engaged in the business. In order to find out whether this is the case, the author added two larger firms to the sample. Firm 4 constitutes a third generation firm currently employing around 2,000 people. Firm 5 is in its third generation and employs around 3,800 people.

The decision-making processes in Firms 4 and 5 show well-defined management structures and decision-making procedures, such as monthly family board meetings to inform family members, but at the same time strictly regulate – and limit – family influence on business strategy. Both firms also have clearly defined rules and regulations concerning the issue of succession, minimising both offspring and inter-generational conflict.

> *Quote 4.1: "The second generation decided then not to divide the shares but only to pass them on to a single child. And in our family it has always been important that we are a strong family, even in the time of my grandfather, and the women had their status and their importance at home and our second generation also saw it that way. So the women didn't work in the company, but they had to keep their husbands' options open and had to see to it that the family was managed in the right way. And that is also a certain idea of a basic value of our generation, and that's why the girls have been a bit more disadvantaged there in the planning of the*

succession ... but that was or rather is a basic value in our family." (CEO, Firm 4, 2012)

Quote 4.2: "In the deed of partnership it is stated that you are allowed to be in management at most until you are 65 years of age." (CEO, Firm 4, 2012)

As in Firm 4, succession is also strictly governed and regulated in Firm 5. On the one side, this indicates the importance of finding a suitable successor to lead the business into the next generation. On the other side, it provides an indication of the desire for firm success, triggered by the responsibilities towards a wider community. These mechanisms emerge from the business entity, showing that the business context in larger firms takes precedence over the family context, with regard to its influential strength on the strategic decision-making process.

Quote 5.1: "There should be a principle in the company, if a younger person comes up from the family then he has to work at the top level, and if he can't do that then he mustn't be in there, because everything else, if for any reason a person isn't able or willing to work in senior management and is basically located at a lower level, then that just doesn't work ... we also ran tests via an institute of psychologists, to find that both [sons] are suitable, and it was the same for my brother ... Those are things I can't influence then, at first. I can only handle them well or badly, but the attributes have to be there." (Father, Firm 5, 2012)

Quote 5.2: "I am 77 now ... we always made use of the ten year statutory period when we did an advance settlement of rights of succession ... if the older one clings on and only uses the successor as a stooge and if that works then he is no good and if he doesn't put up with it then sparks fly ... My son said straight away, but well you are not attending the meetings of the management anymore ... We still have our family meetings today, every Monday." (Father, Firm 5, 2012)

Thus, similar to Firm 3, in Firms 4 and 5 the **family entity** constitutes an important driver of the strategic intention in terms of achievement motivation and respect. However, family influence, particularly from family members not actively involved in the business, is limited in large-sized family firms due to well-structured processes and a clearer separation

between family and business, resulting in limited inclusion of non-active family members in the firm's decision-making process.

> *Quote 5.3: "Decisions are prepared analytically by conducting cost predictions … Economic feasibility calculations are conducted; existing indices are subject to change due to changing demands. The changed indices are worked into these considerations about economic feasibility, and then, according to completely normal business criteria, profitability estimates and revenue predictions are prepared … But every company has this risk or insecurity, regardless of whether it is a family business or a large group … the working methods don't differ massively in that direction." (Son, Firm 5, 2012)*

Additionally, as indicated by the results deriving from Firm 3, the empirical data from Firms 4 and 5 show that the **business entity** clearly governs the decision-making process in large family firms in terms of decision-making structures, regulations, and roles and responsibilities, further restricting family influence on strategic decisions.

> *Quote 4.3: "Due to the growth we have undergone in the last ten to 15 years we probably have to concentrate on other tasks … We got to know a new tool there, Syntegration, which … leads to joint decisions … And that, then, we possibly don't do the management, well, of the operative business, with the participation of the family anymore, but hand that over completely, and instead we work towards business development." (CEO, Firm 4, 2011)*

These clearly defined roles and responsibilities and rules and regulations derive from the need for firm survival, leading to the inclusion of family externals in the decision-making process, and ultimately to relatively rational performance-driven behaviour.

> *Quote 3.9: "Well, I manage the staff very differently from the way my father used to manage them … I concocted a new organisation chart … That means today we are two managing directors [one family external], business and technological … and then really there is also the authorised signatory … Is the family also involved in such big decisions now? Not really … until my father's retirement, we used to*

jointly decide many things and also discussed them privately, and it isn't like that anymore today." (CEO, Firm 3, 2012)

Quote 5.5: "Well I would also say there that the working methods don't differ massively in that direction [compared to a large non-family firms] ... in principle those are very logical processes." (Son, Firm 5, 2011)

Thus, with increasing firm size, the business entity becomes more influential in firms' strategic decision-making process, promoting more rational performance-driven behaviour based on standardised rules and regulations, clear roles and responsibilities, and the inclusion of non-family managers and/or advisors in the decision-making process, whilst at the same time excluding family members who are not actively involved in the management of the company from the decision-making process.

Quote 5.6: "My son said straight away, but well, you [seniors] are not attending the meetings of the management anymore." (Father, Firm 5, 2012)

However, as indicated by Firm 3, another increasingly important driver in strategic decision-making in large firms is the family-business relationship. Firstly, as pointed out earlier, with the expanding size of the business, the business, and, as such, the owning family (family clan), becomes an important institution within the local community, serving as a major employer and affecting an increasing number of stakeholders on both sides of the value chain. Due to the close link between family and business and the family's identification with the firm, the success of the family business may rise or fall with the reputation of the family clan (and vice versa). As a result, the behaviour of the individual family members becomes more other-centred (desire for status/reputation) and less family-centred (Familienbande), which is, for example, indicated by a comparison of the quotes from Firm 1 and Firms 3 and 4.

Quote 1.145: "She grew up in that building, that's where all her childhood memories lie, the family, everything ... Her whole life she's been here, she didn't want to give that away." (Mother, Firm 1, 2013)

Quote 1.146: "I think it's pride in what's standing here, and it's the memories … I would never sell. I love coming in here every single day, I just love it." (Daughter, Firm 1, 2013)

Quote 3.10: "I mean a family business like that, that is not, you don't go to work there but the whole family stands or falls with such a business." (Son, Firm 3, 2012)

Quote 4.4: "Well, from our point of view it is a high risk if there are disagreements and disunity among the circle of partners … But that is discussed in private then, and it also sends a very important message to our staff that you can't fit even a sheet of paper between us." (CEO, Firm 4, 2011)

Further, emerging from the family-business relationship and the family's strong identification with the firm (increasing with the expanding size of the business), decisions are increasingly influenced by the family's desire for future succession of the business, resulting in a long-term orientation of business strategy.

Quote 4.5: "A sale is out of the question for us … we also don't want any more associates, but for us the aim is to be able to pass on a sensible and healthy business to the fourth generation … We have done quite a lot for it so that they are also interested in the business … we would have fulfilled our task if we were able to pass on a viable business to the fourth generation. That is important from our point of view." (CEO, Firm 4, 2011)

Quote 5.4: "So really a practical and for us a promising move, and above all one that is safeguarding the future. Also insofar as the business remains a family business … so we get to an investment sum of 37 million, and in our generation, so the third generation, this is of course the most crucial investment of all; of course when this investment has been made in its entirety there is no reason at all anymore to part with the company." (Son, Firm 5, 2011)

Thus, for Firms 3 to 5 it can be seen that across all three larger-sized firms, strategic decisions are influenced by the same or highly similar underlying structures and mechanisms deriving from the family entity, the business entity, and the family-business

relationship entity. Thus, the family entity is influential in the initial intention to take a strategic decision (Firm 3 – psychological pressure to grow the business, achievement motivation; Firms 4 and 5 – psychological pressure, respect towards parents/father, desire to achieve well). Specifically, the family entity determines the family managers' underlying drive and motivation (achievement motivation), leading to an increased desire to perform well in order to gain love and respect from senior family members. However, decision-making procedures in larger family firms are increasingly regulated, leaving little or no room for family members not officially involved in the business to interfere in the strategic decision-making process. This is contrary to small-sized family firms (see for example the mother in Firm 1). In other words, with the increasing size of a business, the **business entity** gains influential strength due to the introduction of clear management structures and decision-making procedures, generally involving non-family members (such as department/division heads), leading to a clearer separation between the family and decision-making in the family firm. This does not mean that the family is not closely enmeshed with the firm in terms of heritage, identification, and succession, but rather that larger firms develop a clear definition of roles and responsibilities emerging from the business entity, determining the involvement of specific family members in the decision-making process (and excluding others – see the clear selection criteria for successors: Firm 3 – primus inter pares; Firm 4 – eldest male; Firm 5 – succession determined by psychological tests). Further, it has been discovered that the family-business relationship entity also constitutes an increasingly important driver in larger family firms. With the expanding size of the business the family firm constitutes an increasingly important institution within a local community, serving both directly and indirectly as a large supplier of employment, and is thus subject to a growing number of stakeholders. Due to the close link between family and firm, the public perception of the owning/managing family is determined by the decisions taken within the family firm and vice versa, affecting the strategic behaviour of the firm. Figure 5.21 summarises the influences on the strategic decision-making process in large-sized family firms.

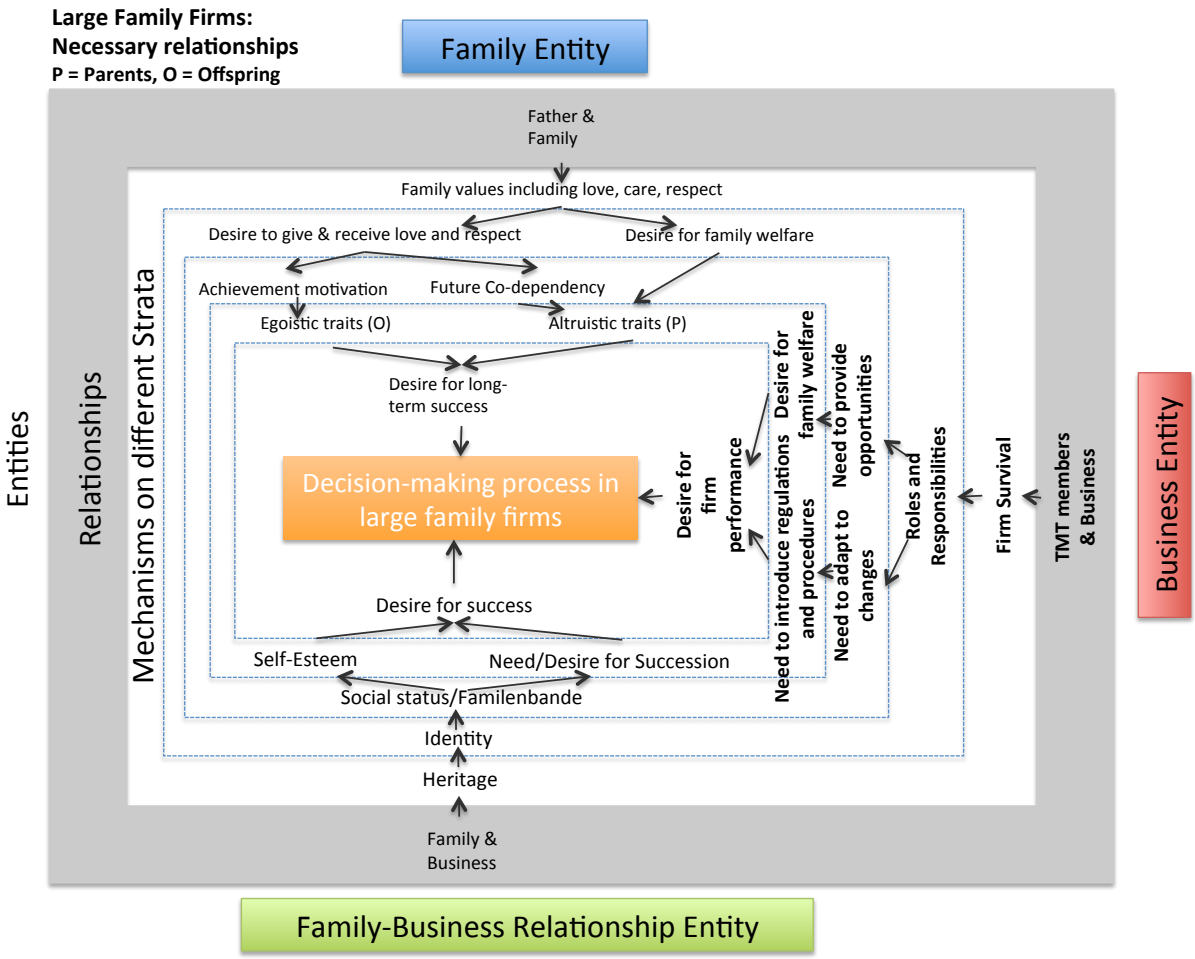


Figure 5.21: Influences on the strategic decision-making process in large-sized family firms

5.4 Strategic decision-making in mature family firms (analysis of Firms 6 and 7)

Firms 6 and 7 constitute older family firms. Firm 6 is a private bank currently in transition from the fifth to the sixth generation; Firm 7 is a brewery, which is regarded as one of the world's oldest family firms and is currently owned and managed by the twentieth generation. Both firms employ between 60 and 80 members of staff. (For causal maps of the strategic decisions and a summary of generative mechanisms refer to Appendices I and V).

Similar to the large firms (Firms 3 to 5), and in contrast to the small young firms (Firms 1 and 2), clear regulations (e.g. succession regulations) and decision-making procedures (e.g. weekly board meetings including non-family members, involvement of advisory board) are existent in Firms 6 and 7. What becomes noticeable is that, unlike small young firms, the two mature firms show a clear distinction between the family (=

family members not actively involved in the business) and the operative business (= business entity).

> *Quote 6.1: "We try to discuss business matters in the office and not at breakfast or lunch ... It is even like this, that if I discuss things with my wife we meet in the office on a fixed morning, for example every two weeks." (CEO, Firm 6, 2011)*

> *Quote 7.1: "And then I think, and that is another motivation, that we, well, especially now us medium-sized businesses, just have to become more professional; no matter whether it's in purchasing or processing." (CEO, Firm 7, 2011)*

> *Quote 7.2: "Well, with big decisions, at the moment that's really only my brother-in-law, my wife and I ... I'll put it like this, well, the family clan, ... they are informed about decisions ... but it wouldn't hinder." (CEO 2, Firm 7, 2011)*

This separation between family and business is also noticeable in clearly established succession regulations to secure the future survival of the business. Unlike in younger firms, where every family member is generally involved in the business, with the increasing age of a firm, succession needs to be clearly regulated, leading to the exclusion of some family members and thus indicating a shift of influential strength from the family entity towards the business entity.

> *Quote 7.7: "We have agreed now that one person from each family gets in, so that it doesn't dissipate like a fir tree, because the more associates the worse it is." (CEO 2, Firm 7, 2011)*

> *Quote 7.8: "Nobody has a right to be employed, so no one can say I am the son or the daughter, I can't find a job at the moment, just give me something." (CEO, Firm 7, 2010)*

Despite the clear separation between the family and the business in strategic decisions, there is a strong psychological relationship or identification of all family members with the firm (family-business relationship entity). This identification with the firm is deliberately

formed and nurtured from birth, indicating a strong desire to bind the offspring to the business to enable future succession from within the family.

> *Quote 7.3: "Yes, all right, well one motivation is that after such a long family history I am striving for the preservation of the family business, as it were.," (CEO, Firm 7, 2011)*

> *Quote 6.2: "With us it is like this, if you live here in the family you practically have contact with the business shortly after birth. That is the nature of such a family business after all, and either someone grows into that or not." (CEO, Firm 6, 2011)*

This desire to maintain the business as a family firm leads to a co-dependency between parents and offspring, where parents need to nurture the offspring's desire to work in the business and enable them to gain relevant business experience whilst at the same time not threatening the performance of the business.

> *Quote 7.5: "We do try hard, for example, well, we have the photovoltaic plant out there, we have that on top of the roof ... well, we basically included all the children there as entrepreneurs, well we created our own business there so that they can grow into this company and the whole way of thinking here a bit ... they just experience the whole thing, they live into it, grow up with it ... they simply learn to think like an entrepreneur from early on." (CEO 2, Firm 7, 2011)*

This shows that with the increasing age of the firm, the family-business relationship entity becomes increasingly influential in the firm's decision-making process. Specifically, the relationship between the family and the business, and thus the identification of the family with the firm due to its long-standing heritage, exerts increasing pressure on the family CEO to find a suitable family successor for the business.

Looking across the firms of the sample, the pressure exerted by the family-business relationship entity to pursue the business as a family business is further indicated by the CEOs' and senior managers' interest to maintain the firm as a family business. In Firms 1, 2, 3, and 5 the desire to maintain the business as a family firm is high but not crucial, whereas for managers in older firms there exists greater pressure to maintain the line of heritage.

Quote 1.147: "That time I would have … sold the whole thing. Well, that's the end of tradition, with an offer like that, well, you just grab it." (Father, Firm 1, 2011)

Quote 2.17: "It would be lovely [for the business to remain a family business], sure, but I also wouldn't have a problem if it wasn't like that … I'm quite relaxed about that." (Father, Firm 2, 2011)

Quote 3.11: "Well, I see the company, well, the company is also the family, well, I believe that I somehow live here, and my soul, and I carry on this spirit. But that doesn't mean now that the company couldn't be sold one day." (CEO, Firm 3, 2012)

Quote 5.7: "I would tend to say I have never developed the bond that others may develop with their company … I wouldn't have any emotional problems now if they [next generation] sold." (Senior, Firm 5, 2012)

Quote 6.3: "The preparations that the next generation is able to continue the business, continue successfully … is the main goal." (MD, Firm 6, 2011)

Quote 7.6: "One motivation is that after such a long family history, I am striving for the preservation of the family business." (CEO, Firm 7, 2010)

This also indicates a change in the relationship between the family and the business, reflected in the mechanisms emerging from the family-business relationship entity: in younger and particularly in smaller firms, the family-business relationship is reflected in the desire to maintain a strong family bond where all family members are involved in business activity and the family business constitutes the centre of family life (Familienbande), leading to a strong identification with the *family* rather than the *business*. This relationship, however, changes with the increasing maturity of the firm – fewer family members are actively involved in the business due to predefined succession rules and regulations, and the business-entity further restricts the involvement of family members not actively involved in the business – and the identification of individual family members lies with the *family business* rather the *family*. Put differently, with the increasing age of

the firm, the pressure to maintain the family business shifts from a desire to maintain the family bond (Familienbande) in the business context to a desire to maintain the family heritage and subsequently the social status of the family and/or the individual.

With the increasing age of the business, potential altruistic behaviour exerted by the family entity is still existent, but the mechanisms emerging from the business entity, such as standardised succession rules and regulations, decision-making structures, and clear roles and responsibilities strictly govern the involvement of the family in the firm, and therefore set clear boundaries to the influential strength of the mechanisms emerging from the family entity. The mechanisms emerging from the business entity in particular can thereby be regarded as protective mechanisms aiding the long-term survival of the family firm. Thus, with the increasing age of the firm, the mechanisms resulting from the business entity and the family-business relationship entity gain considerable strength, whilst taking influential power away from the family entity. Hence, although there is a noticeable co-dependency between parents and their offspring, this results less from the parents' desire for love and respect (family entity), and more from their desire to earn their offspring's trust as willing successors in order to keep the business within the family (family-business relationship entity). Furthermore, business processes in older firms, as in larger firms, are clearly regulated, leaving only little room for non-active family members to impinge on the decision-making process, thus discouraging the occurrence of altruistic behaviour. Nevertheless, the family takes on an important role in the family entrepreneur's *intention* to pursue decisions, due to the strong dependency of family welfare on the success of the business.

> *Quote 7.7: "As a family business entrepreneur ... you always have two tasks there. You have to lead the family and your business. Well, the leadership is really like, well, you have to ... involve them [family] in your decisions and in your considerations ... Well, I'll say, if I make my decisions on my own in the company, well, I can say ... only I bear the risk. But in the end I believe that I am only successful if I take my members of staff with me. Now in the family, I think that it is even more drastic, if I am someone like that who decides on their own, in the classic way, and the family or rather the extended family such as in our case isn't informed time and again and brought on board, then you are given the cold shoulder relatively quickly and then it is also much more difficult." (CEO, Firm 7, 2011)*

Thus, with the increasing age of the family firm, the mechanisms exerted by both the business entity and the family-business relationship entity gain considerable influential strength, whilst the family entity as such becomes less influential on the strategic decision-making *process* in the family firm. Figure 5.22 indicates the shift in influential strength from the family entity towards both the business entity (importance of firm survival, clear rules and regulations, etc.) and the family-business relationship entity (importance of heritage, identity, and social status/perception) impinging on the strategic decision-making process in mature family firms.

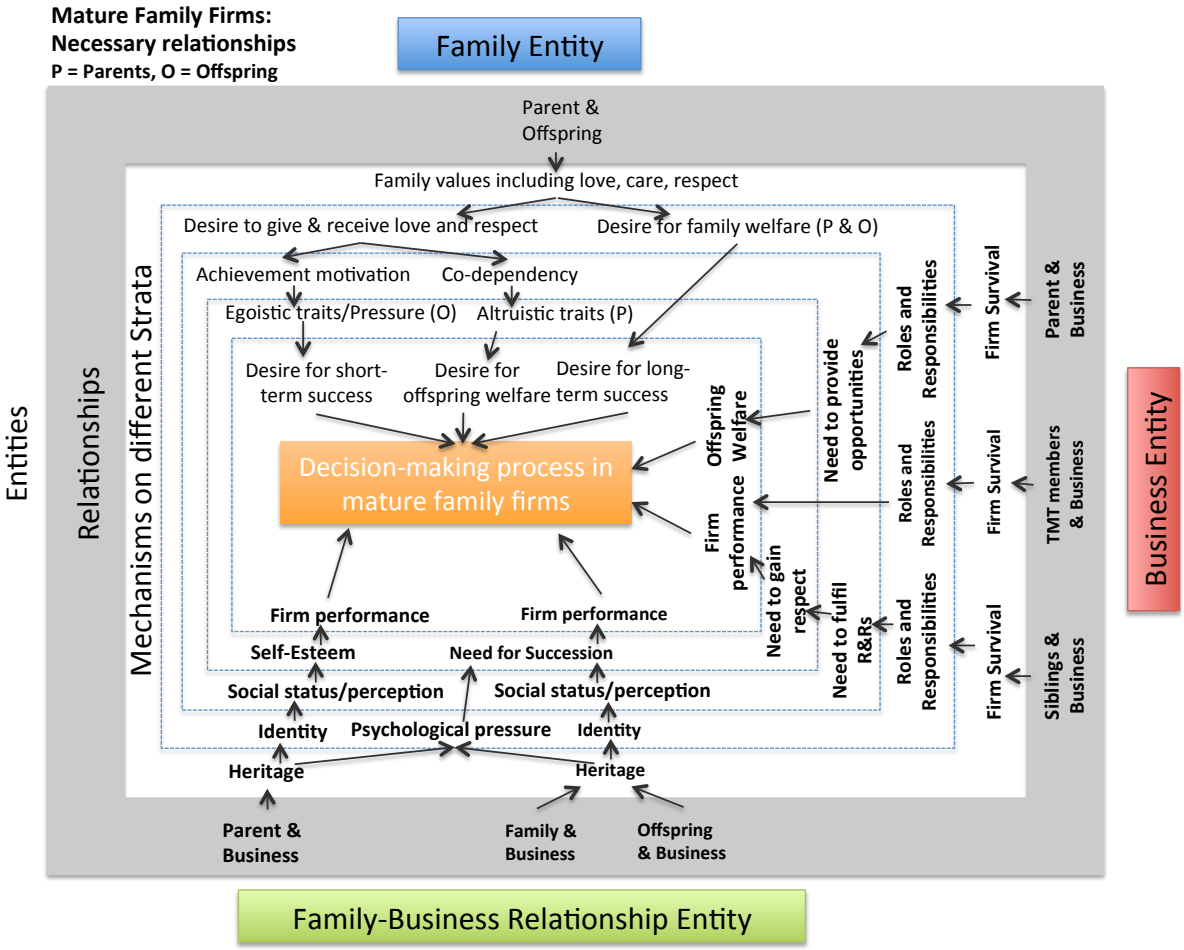


Figure 5.22: Influences on the strategic decision-making process in mature family firms

5.5 Strategic decision-making and the age of family entrepreneur(s)

It has been shown that family influence on the strategic decision-making process varies across the size and age of the family business. The generative mechanisms emerging from the family entity depend on the structures and relationships within that entity, such as the relationship between father and family, the relationship between father and offspring, or the relationship between husband and his wife. Depending on these relationships, mechanisms emerge that govern the behaviour of the individual actors, e.g. father, mother, son, or daughter. The offspring's behaviour, for example, is influenced by the desire to achieve well (achievement motivation) in order to receive their parents' recognition (love and respect), leading to more egocentric behaviour, which indirectly impacts on the strategic decision-making process in the family firm; in contrast, the parents' behaviour is influenced by family values and the desire to give love to and provide for their offspring, as well as by co-dependency with their offspring (need to give love and respect to offspring in order to receive love and respect from offspring), leading to more altruistic behaviour towards the offspring, which also impacts on the strategic decision-making process. Similarly, without the offspring there is no co-dependency, leading to more egocentric behaviour and possibly riskier strategic decisions (no others dependent on the outcome). Throughout the 13 cases, these patterns of *how* the family entity impacts on the individual family member reoccur. As a result, it can be said that the age or life stage of the family entrepreneur indicates *how* the family entity impacts on the individual family member's strategic behaviour.

It is suggested that starting from early childhood, the offspring in family firms are often characterised by a strictly entrepreneurial upbringing. Evidence for this can be found throughout the sample:

> *Quote 1.148: "My dad didn't actually really give me a choice in what I wanted to train for after school, that's actually quite crass." (Daughter, Firm 1, 2010)*

> *Quote 2.18: "From the very beginning, well, you really grow up in such a company. That starts with the fact that I know of almost no dinner at home where the topic of conversation was the weather or the latest football match, it was really always the business. Well, that's how you naturally grow into such a company and even at an early age." (Son, Firm 2, 2012)*

Quote 2.19: "Everyone always went to play football, and our father always used to say work is sport as well. Well, I cannot remember a time at all when I wasn't working at all." (Father, Firm 2, 2012)

Quote 3.12: "A family business like that, that is not, you don't go to work there but the whole family stands or falls with such a business. That has just always been a topic of conversation with us; that has just always been present. As children we always used to go in and out of here, well, I don't really know any different, yes, at the family table there were always topics that always had something to do with [the company], because that was just on everyone's mind … it was always a gentle, subtle guiding … as a child you don't get that, but as an adult you know what's going on, but as a child it is just a bit difficult … it has always somehow been a bit of psychological pressure … Well, which hasn't made it easy for me over many years, and still doesn't today either, because somehow I've got the burden of this pressure and expectation on my shoulders." (CEO, Firm 3, 2011)

Quote 4.7: "My father was very authoritarian and that wasn't very easy … how shall I put it, if somehow I had had a free choice, I wouldn't have done it [gone into the family business]." (Senior, Firm 4, 2012)

Quote 5.8: "Very early, because my father already took me along with him in the car when I was a child, when it came to sowing the seeds of the individual parts of the business. Well, he tilled his soil there and took me along. That was probably when I was about two or three years old … Partially I was also being looked after by the members of staff." (CEO, Firm 5, 2011)

Quote 7.9: "Well, I believe it has always been the goal of my father that I become the successor, as it were. Though, well, my father and I, we didn't really use to get on very well." (CEO, Firm 7, 2010)

Thus, the offspring in family firms tend to be characterised by high achievement motivation resulting from their strict entrepreneurial upbringing (Rosen, 1961), a tight family bond, partly triggered by the co-dependency between parents and offspring, and strong relational ties due to shared values and belief systems. This is amplified by the nature of the family-business construct, in which family relationships and roles are generally mirrored in the business context, i.e. parents remain in charge (in their roles as

CEO) even if their offspring have reached maturity. High achievement motivation results in the desire to gain the parents' respect (love and care), which in turn leads to egocentric drivers, resulting in the desire to perform well under an acceptance of higher risks in strategic decision-making. The willingness to take greater risks is amplified by the fact that the offspring tend to threaten their parents' welfare rather than their own due to the distribution of ownership in the business, i.e. when entering the business the offspring tend to own no shares or only a minority stake in the company. Furthermore, having just entered the business, the offspring have not yet put in a lifetime's work in the company, which further encourages risky behaviour. Hence, during young adulthood, the offspring tend to take decisions that are more risky and egocentrically driven. This has been shown in the offspring's behaviour throughout the sample, when decisions are taken during the offspring's young adulthood (see Cases 1.1, 1.2, 2.1, 2.2, and 3.1).

As the offspring found their own families, priorities tend to shift with the offspring now facing new responsibilities from the family context. Having established themselves in the firm, and in most cases taken over completely from their parents, the offspring are now faced with the dilemma of how to drive the business forward whilst at the same time securing the welfare of their family. However, with regard to influences from other family members on strategic decisions, this is the phase where family entrepreneurs are relatively free in their actions, receiving the least direct influence from the family since the senior generation has left the firm, whilst the younger generation (the offspring's children) has not yet entered the business. The data show that during this time family entrepreneurs tend to make their most crucial investments, securing the success of the business in the long run, possibly even for the next generation (see Cases 3.1, 3.2, 4.1, 5.1, 6.1, 7.1 and 7.2).

> *Quote 3.13: "We more or less developed a kind of growth strategy, which resulted in us growing ... 40% in four years, well, we really did quite well there." (CEO, Firm 3, 2011)*

> *Quote 4.8: "For us a promising move above all is one that is safeguarding the future. Also insofar as the business remains a family business ... so we get to an investment sum of 37 million, and in our generation, so the third generation, this is of course the most crucial investment of all; of course when this investment has been made in its entirety there is no reason at all anymore to part with the company*

... to at least in theory to be able to pass on the company to the fourth generation. Well, that is also the aim." (CEO, Firm 4, 2011)

Further evidence can be found in the respondents' life histories and past business growth rates corresponding with this particular phase in the respondents' lives.

Quote 5.9: "Because due to the growth we have undergone in the last ten to 15 years we possibly don't do the management, well of the operative business, with the participation of the family anymore, but hand that over completely and instead we work towards business development ... for us the aim is to be able to pass on a sensible and healthy business to the fourth generation. The fourth generation is maturing. We have done quite a lot for it ... we will have fulfilled our task if we are able to pass on a viable business to the fourth generation. That is important from our point of view." (CEO, Firm 5, 2010)

Quote 7.10: "Yes, well, fundamentally really just about everything changed, simply because in the 26 years the market, really there is hardly anything the same anymore now ... the range of products – that for example has changed radically ... or for example also our visitors centre ... that was also a project of about 2.4 million euros ... or for example the academy for restaurateurs and hoteliers ... or the integration of [competitor] ... after such a long family history I am striving for the preservation of the family business." (CEO, Firm 7, 2010)

Thus, when family influence within the business is minimal whilst at the same time the family entrepreneurs have most of their working lives ahead, strategic decisions tend to be more capital-intense. This might be due to the successors' desire to put their own stamp on the business, aiming to exceed the achievements of their parents (self-esteem).

Quote 3.14: "Along with that, it became clear to me quickly that for this changeover of the generations thing with us it wasn't enough that I substitute the junior boss for the senior boss." (CEO, Firm 3, 2011)

Thus, whilst the physical influence of the family is minimal (only one generation actively involved in the business), most of the current managers' working lives are ahead, and they

need to gain respect by topping their parents' achievements or impressing their parents via new achievements, and so strategic decisions tend to be more capital-intense during this stage of the entrepreneurs' lives. Hence, the mechanisms emerging from the family entity (achievement motivation, desire for long-term family welfare, etc.) impacting on the young family entrepreneur who has taken over leadership of the business differ slightly from the mechanisms exerted on the young adult entrepreneur who has just entered the business.

As the new offspring officially enter the business, co-dependency between parents and offspring increases. For the offspring this is reflected in the desire to gain respect and acknowledgement from their parents, resulting in high achievement motivation; for the parents it is shown in the reliance on their offspring to receive love and respect. This love and respect may be portrayed by the offspring's desire to succeed in the business. The co-dependency partly explains the offspring's desire to take more risky decisions (achievement motivation, egocentric traits) as well as parents' increased altruistic behaviour, reflected in the support of decisions that might ultimately harm their personal welfare (co-dependency, altruistic traits). This can be seen particularly well in the Cases 1.1, 1.2, 2.1, and 2.2.

Thus, the author suggests that the life stage of the family entrepreneur has a substantial effect on family influence on the family entrepreneur, and subsequently on the strategic behaviour of the individual (table 5.39). Put differently, the strategic decisions taken within the family firm are dependent on the number of generations currently involved in the business and the individual life stage or age of the family entrepreneurs involved in the decision-making process.

Childhood	Offspring are characterised by strict entrepreneurial upbringing, resulting in high achievement motivation throughout childhood.
Young adulthood	Family context reflected in business setting resulting in high achievement motivation in business context, desire to make parents proud, and desire to receive love and respect from parents, causing egocentric behaviour, which results in risky decisions.
Young family	Offspring take over leadership of firm and found their own families. Desire to exceed parents' achievements, coupled with minimal family involvement in the business (only one generation), but also responsibility for own family and long-term

	welfare of family, resulting in capital-intense decisions with long-term focus.
Mature offspring	Own children enter the business and need to establish themselves in the firm; co-dependency on children (desire for love and care reflected in willingness to lead business into next generation), causing altruistic behaviour throughout the pre-retirement/retirement stage.

Table 5.39: Summary: Family influences and age of entrepreneur

5.6 Summary analysis

It has been shown that the family entity constitutes an important driver for any family business, but in particular for small-sized younger firms. With the growth and maturity of the business, organisational structures become increasingly complex, standardised, and governed by rules and regulations, limiting the impact of family-related mechanisms on the process of decision-making. Hence, with the increasing size and age of the firm, mechanisms emerging from the business entity take precedence over mechanisms emerging from the family entity. The family-business relationship is influential in strategic decision-making across different sizes and ages of firms; however, the way in which the mechanisms emerging from this entity impact on the strategic decision-making process varies with the size and age of the business, also indicating a shift from the *family* aspect of the relationship towards the *business* aspect. Thus, the influential strength of the mechanisms deriving from the family entity is governed by both the size and age of the business, as well as by the age of the family entrepreneur.

In the following chapter (Chapter 6) the findings are discussed and empirical frameworks are developed. In Chapter 7 conclusions are drawn in relation to prevalent theories outlined in the literature review (Chapter 2), highlighting the contribution of this study to the domain of family business research and management practice.

CHAPTER 6: DISCUSSION OF FINDINGS AND EMPIRICAL DEVELOPMENT

6.0 Introduction

The study examined 13 strategic decisions across a sample of seven family-owned and -managed firms. All the strategic decisions examined were characterised by substantial resource involvement, resulting in a significant impact on the family firm's present and/or future strategy. The firms selected were from a wide range of industries, ages (minimum second generation), and sizes (small, medium, and large); however, all were located within a specific geographical context, that is, the southern part of Germany.

In this chapter the author discusses the outcomes of the study and develops a framework indicating *how* the family context influences strategic decision-making processes in family firms. The results show that there exist a number of reoccurring generative mechanisms operating underneath the surface influencing the strategic decision-making processes in family firms of different sizes and ages. These mechanisms are present regardless of the context (in terms of the size and age of the family firm) and the nature of the strategic decision. The influential strength of these mechanisms on the strategic decision-making process, however, varies considerably with the age and size of the family business.

In addition, the author not only shows *how* the mechanisms influence strategic decisions, and how their influential strength is affected by firms' size and age, but also finds that the life stage of the individual 'family entrepreneur' determines the way the family context affects the behaviour of the individual decision-maker.

Thus, in this chapter, two frameworks are presented. The first framework shows ***how* underlying generative mechanisms emerging from the family-business relationship influence strategic decision-making processes** in family firms across different business sizes and ages. The second framework shows ***how* the family context impacts on the individual family entrepreneur in different stages of his/her life** and thus explains the individual's behaviour in the strategic decision-making process. Taken together, the two frameworks explain ***how* the family context influences the strategic decision-making process in the family firm**.

6.1 Strategic decision-making in younger small-sized family firms

Young small-sized family firms provided the starting point for the research. Across all four decisions examined, reoccurring patterns of generative mechanisms emerging from the family entity, the business entity, and the family-business relationship entity could be identified. Thus, these mechanisms exist independently of the context (firm) as well as of the specific strategic decision. Across all four cases, the mechanisms emerging from the family entity have been shown to be particularly influential in the strategic decision-making process, dominating the mechanisms exerted by the business entity. The influential strength of the mechanisms emerging from the family-business relationship entity was also considerably high.

6.1.1 The family entity

Young small- to medium-sized family enterprises can be characterised by a strong influence from the family entity. Due to the relatively small company size and the inclusion of a comparably large number of family members in the business, the family firm constitutes the centre of familial life. For the family, the business usually constitutes the only source of income and thus, all family members are generally required to contribute to the success of the business, often working long hours in order to secure the family's welfare. As there multiple generations are actively engaged in the business, with the offspring literally growing up on the premises, this results in very early and strong identification with the business. Subsequently, there is no clear boundary between family and business, with most private interactions revolving around business matters (ranging from lunch and dinner table conversations to holidays, which are used to visit clients and customers). As such, owning families are often perceived as clans characterised by strong familial bonds (Corbetta and Salvato, 2004; Lewicki and Bunker, 1996) due to the frequent daily interactions between all family members and with each family member working towards the same goals and objectives. This strong bond between the family members puts emphasis on familial values, including the desire to give and receive love and respect from other family members, which is essential for the functioning of such close family interaction. This leads to co-dependency between parents and offspring, causing high achievement motivation for the offspring in order to receive love and respect, and a high tendency towards family-oriented altruism on the parents' side, up to the point where the

parents face the so-called Samaritan Dilemma (Buchanan, 1975), that is, potentially threatening their personal welfare for the short-term benefit of their offspring.

6.1.2 The business entity

As an effect of the strong familial bond combined with the relatively small size of the business, influences from the business entity (not including customer and market demands), such as rules and regulations regarding decision-making and clear decision-making structures and procedures, majority votes, etc. are present in younger small-sized family firms, but secondary to the mechanisms caused by the family entity and the family-business relationship. In other words, decisions are usually agreed on informally and/or outside the usual business setting, and due to the potential effect of the decision on each family member's welfare and on family welfare, there is generally the desire for unanimous agreement across the board rather than pushing decisions through via majority vote. In relation to the parents' tendency to act altruistically towards their offspring and the offspring's high achievement motivation and subsequent tendency to pursue risky decisions in order to gain respect, this may potentially lead to irrational decisions and might partly explain why many family firms do not precede the fourth generation.

6.1.3 The family-business relationship entity

Similar to the family entity, the family-business relationship entity constitutes an important indirect driver of family firm strategy. In particular, the family members' identification with the business has been identified as a powerful mechanism influencing strategic decision-making processes in the family firm. In this way, identification with the business not only results from the social perception of the family; particularly in young firms, identification with the business is based on internal social relationships amongst the family members. Specifically, in the small firms examined, the family firm constitutes the focal point of family life, which can be seen in strong family bonds and the active engagement of all family members in the family firm. This sense of togetherness or family bond (Familienbande) encourages strong trust relationships, altruistic behaviour, a sense of belonging, and the desire to perform well in the business for the good of the family. Thus, in small young firms the family business tends to be a direct extension of the family and its social interaction, promoting powers and liabilities often referred to as 'familiness'.

6.1.4 Conclusion: Strategic decision-making in young small firms

The family context has been found to be highly influential in the strategic decision-making processes of small young firms since the family business tends to be an extension of the owning/managing family's social structures and interaction. This leads to a great sense of belonging and identification with the business, as the business can be seen as the centre point of family life. This close connection between the family and the family firm and the resulting tendency to involve all family members in the decision-making process encourages emotional decision-making, deep trust relationships (interpersonal trust), altruistic behaviour, and the motivation to achieve well for the good of the family and/or to maintain the strong bond between the individual family members.

6.2 Strategic decision-making in medium to large family firms

Looking at the generative mechanisms driving strategic action in younger firms (up to the third generation) across different sizes of businesses in terms of employee numbers, it has been found that independent of the type of strategic decision (e.g. acquisition, restructuring of management), a number of reoccurring underlying patterns are found that can largely explain the strategic decision-making process in these firms. Taking the contingent relationships out of the equation, three main entities have been identified as influential in the decision-making process across all firm sizes, namely, the family entity, the business entity, and the family-business relationship entity. Across the decisions taken in Firms 1 to 5, a number of identical mechanisms could be identified emerging from the family entity, the business entity, and the family-business relationship entity. These mechanisms emerge from relationships that are necessary to all five firms, independent of the size of the business, and yet their influential strength on the decision-making process shifts between the entities as the business grows.

6.2.1 The family entity and the size of the business

It has been shown that the family entity constitutes an important driver towards strategic decision-making in the family firm. Owning families can be characterised by strict entrepreneurial upbringing of their offspring, resulting in high achievement motivation among the younger generation. This achievement motivation is amplified by the family

firm's pattern of the offspring's actions being prone to constant scrutiny by their parents. Hence, the offspring's learned behaviour to perform well in order to receive love and care from their parents is directly translated into the business context, where the children receive parental respect and acknowledgement for good performance. In the business context, enhanced achievement motivation has been shown to trigger egocentric traits within the offspring, leading to an increased desire to perform well. Subsequently, under the constant scrutiny of senior family members, the offspring are willing to take decisions involving greater risks in expectation of parental rewards. This is particularly the case during generational transition within the business, but can be noticed throughout the family managers' lives due to the close parental links with the family firm.

At the same time, parents have a desire to receive love and respect from their offspring, which puts them in co-dependency with their children. In the business context, this desire for love and respect is translated into the parents' desire to have a family successor for the firm to carry on the firm's legacy. This co-dependency encourages parents to act altruistically towards their offspring even if this may potentially threaten or harm the parents' personal welfare. In the family firm context, this is shown by the parents' willingness to support risky decisions or strategies suggested by their offspring despite their own clear personal aversion towards the decision. Thus, it is this translation of familial structures into the business context that influences strategic decisions in the family firm.

Although these mechanisms could be noticed in small-, medium-, and large-sized firms, it has been found that smaller firms are particularly prone to familial influences due to their less rigid organisational structures, both enabling and requiring increased family member involvement in the business. In other words, in small-sized firms every family member generally occupies an active part in the business, whereas in larger firms direct or indirect involvement of every family member is generally prevented by clear management structures, decision-making procedures, and succession regulations. Hence, with the growing size of the business, the organisational structure of the business changes from a 'family operation' to a clearly structured organisation in which competencies and responsibilities are shared beyond the familial circle (e.g. Firm 3 – inclusion of non-family members in TMT; Firms 4 and 5 – decision-making processes including division heads and/or advisory boards).

Hence, with the expanding size of the business the family entity remains influential, but in a more subtle way and within the boundaries of management structures and business

regulations. While in small firms the family impinges on the decision-making process throughout, in larger firms there is a clearer separation between family and business. Decision-making processes are regulated, involving a clearly defined group of people and/or bodies, reducing the influence of non-active family members on the firm's decision-making process. Furthermore, due to the involvement of non-family members in strategy formulation and the corresponding exclusion of most family members, decisions taken by the owners/managers tend to be based on control figures and business performance rather than on individual family members' desires. Put differently, decision-making processes tend to be more rational and less emotional (see, for example, emotional decision-making and family conflicts in Firms 1 and 2). Thus, in larger firms the family context drives the *intention* of the family manager(s) rather than the *process* of decision-making. However, the same mechanisms are at work (achievement motivation, desire for respect, co-dependency between parents and offspring, and altruistic behaviour), meaning that the family entity constitutes a driver for decision-making in all family firms, but loses power with the expansion of the business.

6.2.2 The business entity and the size of the business

As pointed out above, the business entity gains importance with the increasing size of the business. The involvement of non-family members in the decision-making process promotes more rational and less emotional decision-making by willingly or unwillingly limiting the 'access' of non-active family members to the strategy process. In other words, although the family TMT generally acts as the final decision-maker, there exists a more noticeable separation between non-active family members and the business due to increased organisational structures. As a result, the family business can be regarded as a 'workplace' rather than the centre point of familial activity – as has been shown to be the case in small-sized family firms. Due to limited contact with other family members combined with the inclusion of non-family members in the decision-making process, decision-making becomes less emotional, and at the same time the family entity becomes less influential in decision-making. This does not mean that co-dependency between parents and offspring, achievement motivation, or altruistic behaviour are non-existent in larger family firms, but boundaries to their influential strength are set by clear organisational structures, and well-defined roles and responsibilities and decision-making procedures. Due to these boundaries, there tends to be less physical presence of family

members not officially involved in business matters (e.g. presence of non-working wives), further minimising the influence of the family entity on the strategic decision-making process. As a result, with the growing size of the business the mechanisms emerging from the business entity gain influential strength.

6.2.3 The family-business relationship entity and the size of the business

The mechanisms exerted by the family-business relationship entity constitute an important driver in the decision-making process of small-sized younger family firms. Specifically, in small-sized firms it can be seen that there exists a strong bond between the family and the business, with the family firm forming the centre point of familial life. This results in strong psychological bonds towards the firm and the identification of each individual family member with the business, which acts as a powerful motivator to perform.

In larger firms, very similar mechanisms emerging from the family-business relationship can be identified (heritage, identification, etc.); however, the motivating drive is less family-centred, and more self- and other-centred. Specifically, while in small firms the motivation to perform well results from the desire to maintain the 'Familienbande', that is, the business is viewed as the focal point of familial life, in larger firms processes within the firm become more structured. Heritage and identification of the family and the individual family members with the business therefore increase the pressure to perform well, not to maintain the 'Familienbande' (family-centred), but to maintain and/or create a positive public perception of the individual family manager and the family as such (self- and other-centred).

Hence, within the family-business relationship entity with the increasing size of the business there is also a noticeable shift of power from the family towards the business aspect of the relationship.

6.2.4 Conclusion: Strategic decision-making and the size of the family firm

The underlying mechanisms (based on necessary relationships) driving strategic action in the family firm remain broadly similar across small-, medium-, and large-sized family firms. Across all firms, three entities can be identified that are influential in shaping business strategy, namely the family entity, the business entity, and the family-business relationship entity. Although the majority of mechanisms exerted by these entities could be

identified across all the firms observed so far (Firms 1 to 5), there is a noticeable shift in the influential strength of the entities that exert them. While in smaller firms, the family entity has been identified as the most important driver within the decision-making process, with the growing size of the business, the business entity gains strength whilst restricting the influence of the family entity. This shift from a family focus towards a more self- or other-centred focus could also be seen within the family-business relationship entity. Specifically, in small firms there is an emphasis on family relationships, with the business generally forming the hub of familial life, but with the increasing size of the business processes become more structured, resulting in the family firm transforming into an organisation with responsibility to an increasing number of stakeholders. As a result, the family remains an important driver within the business strategy, but changing organisational structures and the subsequent inclusion of non-family members in the decision-making process impact on the aspect of 'familiness' within the family firm. In other words, processes become more defined, restricting the access to and influence on business strategy of family members not actively involved in the management of the business. Consequently, with the growing size of the business the mechanisms driving business strategy remain the same, but their influential strength changes as power shifts from the family entity towards the business entity.

6.3 Strategic decision-making in mature firms

Similar to firms of different sizes, there are a number of generative mechanisms influencing the strategic decision-making process that are identical amongst family firms of different ages; that is, the mechanisms and the relationships they emerge from exist independently of the age of the business, impacting on the strategic decision-making processes in both young and old firms. However, it has been found that the influential powers and liabilities of these entities and their mechanisms vary as the business matures.

6.3.1 The family entity and the age of the business

The empirical data indicates that the mechanisms exerted by the family entity (co-dependency, altruistic behaviour) are present in older firms, but play an inferior role in the actual decision-making process, since family influence is limited due to clear decision-making rules and regulation (e.g. the inclusion of non-family members in decision-making

process impacting on altruistic behaviour) exerted by the business entity. Additionally, with the increasing age of the firm the family-business relationship takes precedence, further weakening the influence of purely family-related mechanisms on the business strategy. Thus, while in smaller, younger firms the mechanisms emerging from the family entity play an integral part in the decision-making processes within the family firm, due to the integration of the family into the business, resulting in family structures being directly converted into the business context, with both the increasing size and age of the firm, family-related mechanisms are still present but governed by mechanisms emerging from both the business entity and the family-business relationship entity. Hence, there is a noticeable shift of influential power from the family entity towards the business entity (both large and old firms) and the family-business relationship entity (particularly in old firms).

6.3.2 The business entity and the age of the business

With the increasing age of the family firm, the business entity in particular exerts mechanisms that influence the strategic decision-making process in the family business. In order to survive over multiple generations as a family business, family firms need to have certain rules and regulations in place that govern the involvement of the family and its individual members in the firm. Such rules and regulations justify how many members of a family are allowed to work in the firm, how ownership is distributed, and who leads the business into the next generation. In terms of the general organisational structure, with maturity, family firms tend to move from an all-inclusive model, where every family member is encouraged and often required to actively engage in the business, towards clear organisational structures that are more similar to non-family firms. This has certain effects on the specific decision-making processes within these firms.

Firstly, due to rules and regulations governing the influence of individual family members on the business, the access of family members not officially involved in the firm is restricted. Therefore, family effects on strategic decisions (e.g. altruistic behaviour, family welfare, etc.) are limited due to the lack of physical presence of these non-active family members in the firm.

Secondly, due to clear rules of succession and ownership there might also be a psychological disengagement of the members of the family not selected for succession. In other words, the family firm no longer presents the hub of familial life (as seen in Firms 1

or 2), since various family members may have pursued careers elsewhere with no prospect of succession in the family firm, thus limiting the financial and psychological dependence of individual family members on the business, in turn easing the family-related pressure (e.g. related to physical and financial family welfare) on the family entrepreneur. In addition, over time, clear decision-making structures are established, including non-family members in the decision-making process, thus further limiting the effects of altruistic behaviour emerging from the family entity.

While in small, young family firms decision-making processes can be regarded as more fuzzy and/or less structured, including advice and indirect inclusion of family members not actively involved in the business, thus promoting the occurrence of altruistic behaviour and more emotional decision-making, in large and old firms, clear structures, rules and regulations largely govern the contact points of non-active family members with the family firm, and hence, their influence on the business strategy. This results in less emotional and more rational decision-making, which is further promoted by the inclusion of non-family members in the decision-making process. Hence, the mechanisms emerging from the business entity gain relative influential strength compared to the mechanisms exerted by the family entity as the business matures or grows.

6.3.3 The family-business-relationship entity and the age of the business

As the family firm matures, the mechanisms emerging from the family-business relationship entity also become increasingly important in the strategic decision-making of the family firm; specifically, those mechanisms emerging from the deeply-rooted relationship between firm and family, which has been built up over generations. Hence, this long-standing heritage, and subsequently the family's identification with the business and vice versa, take precedence in important strategic decisions insofar as they put substantial pressure on the family manager to pursue the line of heritage through to the next generation. As such, the family manager is required to take decisions that will not only benefit the business, but that will secure the family's future control of the business, which is indicated by the existence and inclusion or consultation of official family boards or councils in capital-intense decisions.

The mechanisms (heritage, identification) also create a difficult position for the family manager, putting him/her into an exceptionally strong position of co-dependency with their offspring. Compared to small-sized young firms where co-dependency results

from the desire for love and care, in older firms it emerges from the need to attract a suitable successor from within the family into the business. The family manager needs to manage the dilemma of earning the offspring's trust in the family firm and encouraging altruistic behaviour (family-oriented altruism), whilst at the same time ensuring firm performance, motivating non-family managers (altruistic behaviour towards offspring may work counterproductively and harm long-term firm performance), and adhering to the rules and regulations emerging from the business entity. The resulting need to cater for these issues is reflected in the family-manager's actions in strategic decision-making. This is shown, for example, in Firm 7, with the family setting up sub-companies to enable the offspring to gain 'practice' and business experience in areas related to the main business without directly impinging on the decision-making processes and potentially harming the performance of the family firm.

With the increasing age of the family firm, the mechanisms emerging from the family-business relationship entity gain precedence within the strategic decision-making process by putting pressure on the family manager to cater for needs that go beyond the specific decision in order to secure the long-term survival of the family firm. As seen in Case 6.1, this may involve drastic measures such as the inclusion of non-family members in the TMT in order to ensure the long-term survival of the business.

6.3.4 Conclusion: Strategic decision-making and the age of the firm

It has been shown that the generative mechanisms influencing the decision-making process in older firms remain broadly similar to the mechanisms of young firms, both small and large. However, there is a clear shift with regard to the influential power of these mechanisms. While in small young firms the mechanisms emerging from the family entity possess great influential power, with the increasing age of the firm the mechanisms emerging from the business entity as well as the mechanisms emerging from the family-business relationship entity become increasingly influential in the strategic decision-making process.

6.4 Influences on strategic decision-making across the age and size of the family firm

It has been shown that the size and age of the family business affects the way in which the family context influences strategic decisions in the family firm. Across different ages and

sizes of the family business, a number of similar and different mechanisms emerge from the family-business context impacting on the strategic decision-making process. However, there are a number of mechanisms that exist independently of the age and size of the family firm. Specifically, there are a number of relationships (necessary relationships) that could be found across all the family firms in the sample, triggering the same mechanisms influencing the strategic decision-making processes examined.

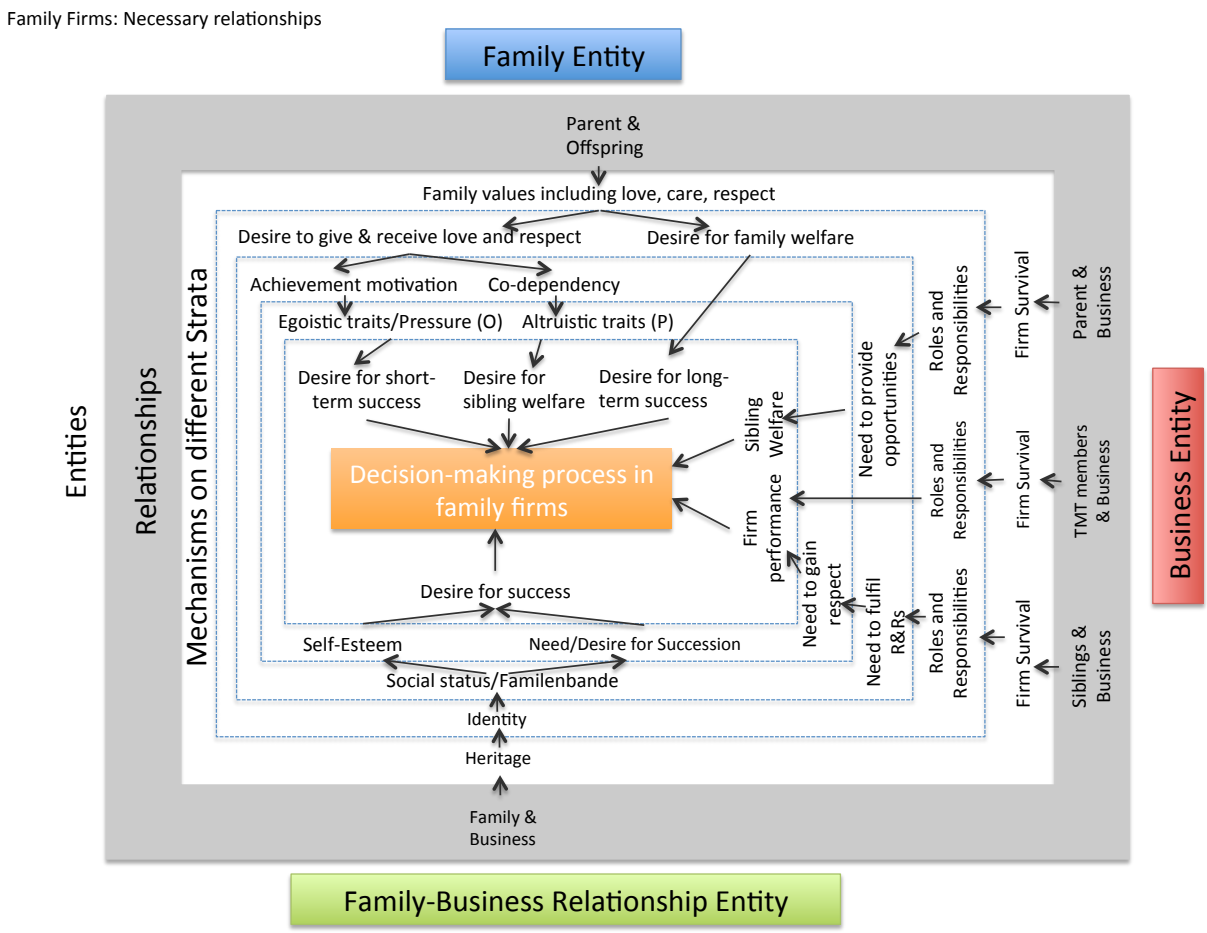


Figure 6.1: Generative mechanisms (emerging from necessary relationships) across age and size

The generative mechanisms presented in Figure 6.1 are mechanisms that exist across the sample of 13 cases; that is, the mechanisms can be generalised to the sample. Figure 6.1 shows *how* the mechanisms that emerge from the necessary relationships within the family entity, the business entity, and the family-business relationship entity influence the strategic decision-making processes in family firms across different ages and sizes of firms. It should be noted that the mechanisms presented in the framework above do not portray a complete picture of the influences on the strategic decision-making process in

family firms. Firstly, for each specific case (strategic decision) there are mechanisms emerging from contingent relationships, i.e. relationships that are specific to the individual case. The mechanisms emerging from contingent relationships result in unique capabilities or liabilities for each individual family firm, and can be an important source of competitive advantage or a unique reason for failure in a specific family business. The mechanisms presented in the framework above (particularly the mechanisms emerging from the family entity and the family-business relationship entity) and their relationships are unique to family firms, as they result from the family-business relationship. Thus, the generative mechanisms presented above and the way they interact and impact on the strategic decision-making process constitute the main source of distinction between family firms and non-family firms.

However, as outlined earlier, the influential power of the entities and their mechanisms shifts from the family entity towards the business entity as the firm grows. Hence, with the increasing size of the family business internal processes become more aligned with those of non-family firms (non-family firms are not influenced by powers and liabilities emerging from the family entity). As the business matures, the influential power of the family diminishes whilst the powers and liabilities emerging from the business entity and the family-business relationship entity gain in strength. The mechanisms emerging from the family-business relationship entity in particular can provide a unique source of competitive advantage or liability, clearly distinguishing the family firm from non-family firms (e.g. succession regulations, heritage, etc.). As indicated by the results, the age and size of the business determine the influence of the family context on the strategic decision-making process. The shift of influential strength relative to the age and size of the firm is shown in Figure 6.2.

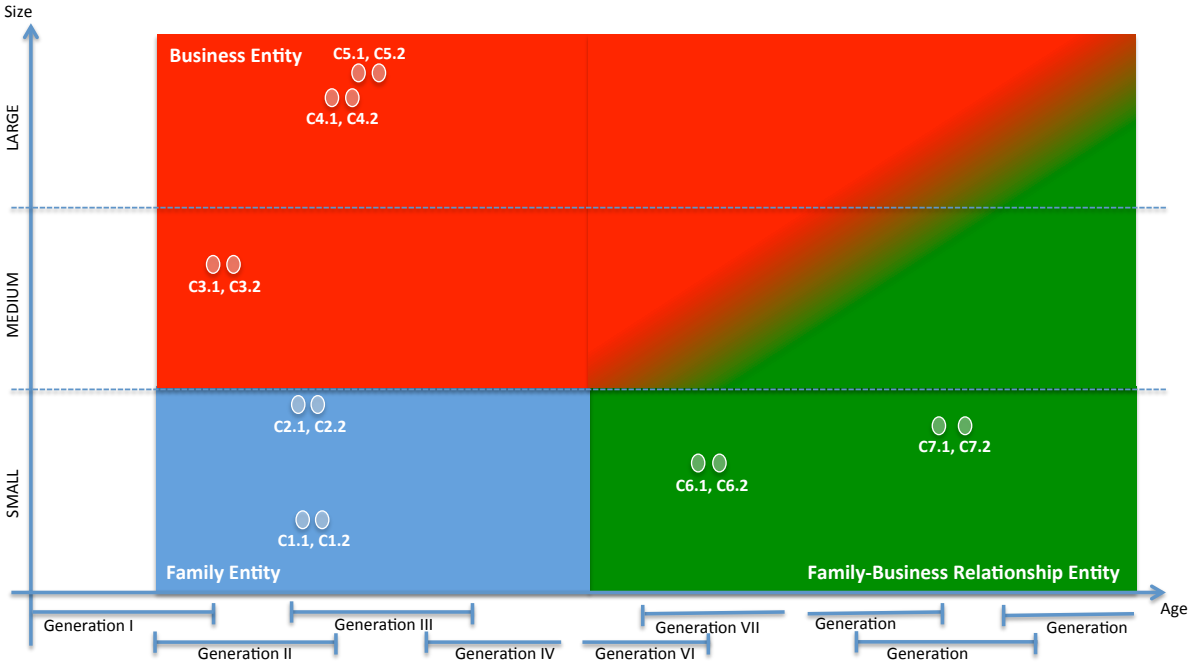


Figure 6.2: Dominating entities in the strategic decision-making process (stylised graph) (original in colour)

Figure 6.2 provides an indication of the influential strength of the family entity (blue), the business entity (red) and the family-business relationship entity (green) relative to the size and age of the family firm. Cases 1.1, 1.2, 2.1 and 2.2 are from small-sized young firms. The analysis of the strategic decisions has shown that the family entity is the most influential entity in the decision-making processes of Firms 1 and 2. Based on the results of the four cases analysed, it can be argued that in small-sized young family firms, the mechanisms emerging from the family entity are particularly influential.

Across Cases 3.1 to 5.2, the author could identify strong influences from the mechanisms emerging from the business entity on the strategic decision-making process. Firms 3 to 5 are medium- to large-sized corporations, leading to the conclusion that with the growing size of the business, the influential strength of the business entity increases whilst the influential strength of the family entity decreases. In Figure 6.2 this is indicated in red.

Family Firms 6 and 7 are old family firms in their seventh and twentieth generation respectively. Cases 6.1 to 7.2 show a particularly strong influence from the mechanisms emerging from the family-business relationship entity on the strategic decision-making process, which is indicated by the colour green in Figure 6.2. As shown by these four

cases, it can be assumed that in old family firms in general, the family-business relationship entity has strong influential power on the strategic decision-making processes.

Figure 6.2 therefore provides an indication of the influential power of the three entities identified on the strategic decision-making process in family firms, in relation to the age and size of the family firm.

Size/age of family firm	Influences on the strategic decision-making process
Small/Young	▪ Very strong influence from family entity on SDM process ▪ Family firm as centre point of family life ▪ No boundaries between family and business context ▪ All family members engaged in business activity ▪ Very strong identification of family members with the business ▪ Family equals business and vice versa ▪ Generally no inclusion of non-family members in SDM process, increasing occurrence of altruistic behaviour ▪ No clearly defined decision-making procedures (every family member can engage in the SDM process) ▪ Strategic decisions are aligned to serve the welfare of the family and the family bond **➔ Family context provides foundation for strategic decision- making process**
Medium	▪ Medium influence from family entity on SDM process ▪ Increasingly strong influence from business entity on SDM process ▪ Boundaries between family and business life are existent but blurred ▪ Many family members are engaged in the business ▪ Very strong identification of family members with the business ▪ Tendency towards inclusion of non-family members in SDM process, minimising occurrence of altruistic behaviour ▪ Development of clear and well-defined decision-making procedures **➔ Business context is beginning to provide foundation for strategic decision-making process**
Large	▪ Minimal influence from family entity on SDM process ▪ Strong identification of family with business ▪ Very strong influence from business entity on SDM process

	▪ Clear and well-defined decision-making procedures ▪ Inclusion of non-family members in management and SDM process, minimising or eliminating occurrence of altruistic behaviour ▪ Only some family members engaged in business and SDM process ▪ Rational decision-making ▪ SDM procedures in large family firms similar to SDM procedures in non-family firms ➔ **Business context provides foundation for strategic decision-making process**
Old	▪ Strong influence from family-business relationship entity on SDM process ▪ Very strong identification of family with business and vice versa ▪ Strong influence of heritage, status and image on SDM process ▪ Clear and well-defined decision-making procedures ▪ Strict regulation of family influence on SDM process and succession ➔ **Family-business relationship context provides foundation for strategic decision-making process**

Table 6.1: Differences between small, medium, large, young and old family firms

To conclude, Table 6.1 shows that young and small-sized family firms are particularly subject to strong family influence on business strategy. The reason for this strong family influence can be found in the relationship of the owning/managing family with the business. The results indicate that in the young and small-sized firms examined, the family firm constitutes the centre of familial life, with all or most family members having grown up in the business and multiple generations working alongside each other in the firm, having their meals together, and spending most of their spare time in the business context. In these cases, the business can be seen as the hub of social and familial activity (Familienbande). Due to this set-up, multiple generations are often financially and socially dependent on the family firm, which is why business strategy is generally discussed informally and without the involvement of non-family members at the dinner table or within the family circle and involving all members of the family, often regardless of their involvement in the family firm (e.g. inclusion of children from an early age, inclusion of spouse who has no active role in the business). Due to the role of the business (hub of social and familial activity) and the subsequent inclusion of family members not directly involved in the business, along with the exclusion of non-family members, small firms can

be characterised by more informal decision-making processes promoting strong familial influence and emotional decision-making. This does not mean that the strong influence from the family context promotes irrational decision-making as such; rather, the basis for rationality is not necessarily merely the company and performance-related figures, but the welfare of the family and the functioning of the family bond. In other words, viewed from a family perspective the actions taken in the business are indeed rational (e.g. father trying to protect offspring, mother fearing exclusion, offspring trying to become self-sufficient). Due to the close link between family welfare, a well-functioning family bond and business welfare, strong influence from the family on the business strategy is likely to promote business performance.

As the business grows (in terms of numbers of employees), decision-making processes become increasingly complex, often requiring the expertise of non-family members (e.g. advisors, department heads, line managers, etc.) leading to more formalised decision-making processes and the involvement of family-externals in the strategy process. As a result, the relationship between the family and the business changes – there is an increasingly clear separation of family and business through the exclusion of family members not actively involved in the business from the decision-making process – and the influential strength of the family entity on the business strategy diminishes with the increasing size of the business. Put differently, decision-making processes in the family firm become less social (emotional) and more performance/outcome-oriented (rational from a business point of view) in character. The foundation of decision-making shifts from the family context to the business context and is based on the performance of the firm for the benefit of an increasingly large number of stakeholders.

With the maturity of the firm (beyond its third or fourth generation) there exists a growing risk of ownership dispersion in the family firm (see for example, Caselli and Gennaioli, 2013), which has been shown to promote conflict (see for example, Gersick e al. 1997), mismanagement of the family firm (see for example, Perez-Gonzales, 2006; Villalonga and Amit, 2006), and poor performance (see for example, Bertrand, Johnson, Samphantharak, and Schoar, 2008). Supporting these arguments, the results of this study provide evidence that successful family firms develop of more formalised succession rules and regulations in order to secure the long-term survival of the business. Hence, as with business growth, with increasing maturity comes the exclusion of some family members, also leading to a changing orientation of the business from a social to a more formalised construct and a subsequent change in the influential strength of the family entity on the

business strategy. More importantly, with the progressing age of the family firm, heritage becomes an increasingly important factor in the formulation of business strategy. Of particular importance is the long-term survival of the firm as a family business. The strong identification of the family with the business and vice versa has been developed over generations and is deeply rooted in family members' mind-sets, indirectly governing their strategic behaviour. Thus, the foundation for strategic decision-making in old family firms is largely provided by the family-business context, aiding the long-term performance of the family firm.

Hence, the size and the age of the family firm set the decision-making foundation of individual family members. Consequently, the age and the size strongly influence the individuals' decision-making behaviour and thus indirectly affect the strategic decision-making process in the family firm. With a firm's growing size and/or increasing age, the social structures in the family firm evolve and undergo a substantial change, to which family firms have to adapt. The author argues that in the long-term, family firms' ability to adapt to these underlying structural changes determines their chances of survival.

So far, the findings portray a macro view of the underlying social construct of the family and the family firm. In the following section, the author will take a micro perspective, focussing on the individual family entrepreneur in order to explain more holistically *how* the family context influences strategic decisions in the family firm.

6.5 Family influences on the strategic decision-maker: Introduction of a life-stage model of the family entrepreneur

The data indicate that the age of the family entrepreneur affects the generative mechanisms emerging from the family entity and therefore the individual family entrepreneurs' strategic behaviour. Based on the mechanisms identified earlier, it can be seen that during childhood and young adulthood family members can often be characterised by strong achievement motivation resulting in the desire to perform well in front of their parents, nurtured by the prospect of positive reward (e.g. love and respect). This desire promotes egocentric traits, which may be reflected in more risky decisions and a short-term perspective towards the outcome of strategic decisions. This is the case throughout the sample for firms in which the younger generation of family members had recently entered the business, but their parents were still actively involved in or in charge of the management (e.g. Cases 1.1, 1.2, 2.1, 2.2, 3.1, and 6.1). The mechanisms identified further reveal that as the young family entrepreneurs take over the business and/or found their own families, the investment focus tends to shift towards a long-term perspective due to the need and desire to secure long-term family welfare and healthy business growth that would allow the next generation to enter the business in the future (e.g. Cases 3.2, 4.1, 4.2, 5.1, 6.2, 7.1, 7.2). As the next generation matures and enters the business, the family entrepreneurs (parents) fall into co-dependency with their offspring, that is, the parents would like their offspring to continue in the business and lead the parents' lifetime achievements into the next generation (love and care towards parents), whilst at the same time the offspring are, to some extent, reliant on their parents for future employment and succession in the business (desire to impress parents, achievement motivation). In the case of the parents, this co-dependency promotes altruistic behaviour, which is reflected in the strategic decision-making process (see for example Cases 1.1, 1.2, 2.1, and 2.2). Thus, the family entity affects the behaviour of its individual family members differently depending on the individual family entrepreneur's life-cycle stage, which, in turn, affects the individual's behaviour within the family firm, reflected in the strategic actions pursued.

For the firms examined, the author proposes the following life stages of the family entrepreneur in order to explain *how* the generative mechanisms emerging from the family entity influence the behaviour of the individual, and as a result the strategic decision-making process, throughout their lifetime.

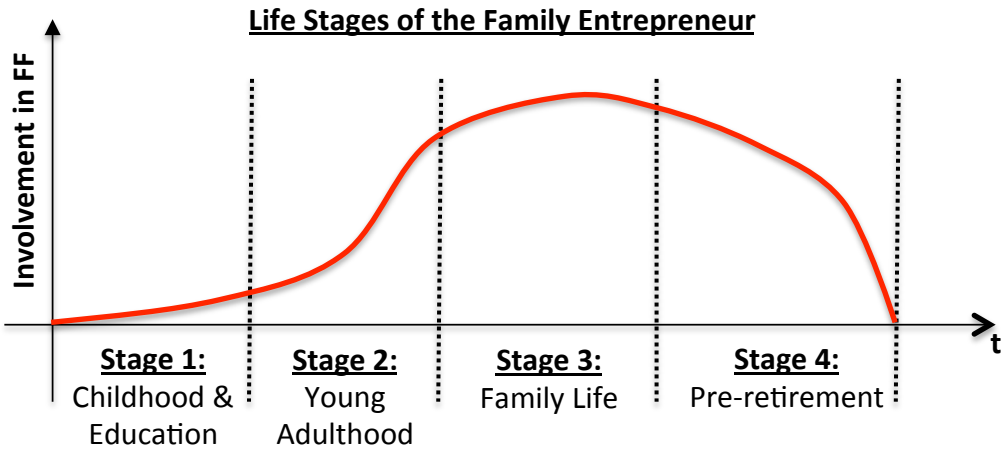


Figure 6.3: Life stages of the family entrepreneur (stylised graph)

Stage 1: Childhood and education

Shortly after birth, new family members become acquainted with the business and often receive a strict entrepreneurial upbringing. Education is in many instances engineered by the parents and geared towards a possible succession in the business. Due to the strict entrepreneurial upbringing, the children can be characterised by strong achievement motivation reflected in the desire to perform well in front of their parents.

Stage 2: Young adulthood

This is the phase when offspring tend to enter the family firm in their first official position after their educational training. The parents are usually still fully in charge of both management and ownership, and the young adults are required to establish themselves within the firm, and gain respect from staff and their parents in order to enable succession. As the offspring mature in the business, the parents generally start to retreat slowly from the business, handing over responsibilities and shares in the company. In this phase there are generally two generations actively involved in the business, and hence the firm is prone to family conflict resulting from a generational clash of interests and opinions between the old and the new generations. Whilst the old generation is concerned about long-term succession, family welfare, and retirement provision, the new generation is concerned with establishing themselves in the business, gaining respect from both parents and staff, and their own positioning within the firm (potential for sibling conflict).

Stage 3: Family life

During this stage, the new generation founds their own families and faces further responsibilities in their role as parents. Their parents have generally fully retreated from the business, whilst their children have not yet entered in business. Hence, at this stage there is often only one generation actively involved in the business. This affects the decision-making in the firm for a number of reasons. Firstly, the managing generation has many years of working life ahead; hence, possible risks can be managed without immediately threatening the family's pension plans. Secondly, with only one generation actively involved in the business, family influence is regarded as minor, due to the fact that decisions, opinions, or interests need no discussion with older or younger generations. Additionally, in their role as new CEOs, the managing generation needs to set new benchmarks that will distinguish them from the previous generation. Stage 3 has therefore been identified as the stage with the most potential for business growth, since strategic decisions are often capital-intense and governed by an overall long-term perspective.

Stage 4: Pre-retirement/retirement

The last stage corresponds with the second stage, that is, in the ideal typical case the new generation (young adults) officially is entering the business and the owning/managing generation is getting closer to retirement. As explained under Stage 2, in this stage two generations are typically involved in the business, with the older generation aiming to secure family welfare and the younger generation aiming to establish themselves in the business, potentially resulting in a clash of interests. Due to the co-dependency between parents and offspring, the younger generation can be characterised by more egocentric behaviour and risky decision-making, whilst the elder generation has been shown to be prone to family-oriented altruism, promoting the offspring's behaviour and risky decision-making.

Based on these four stages, the author presents the following framework indicating the generative mechanisms emerging from the family entity, their influence on the family entrepreneur throughout the different phases of his/her life, and the subsequent potential impact on strategic decisions in the family firm.

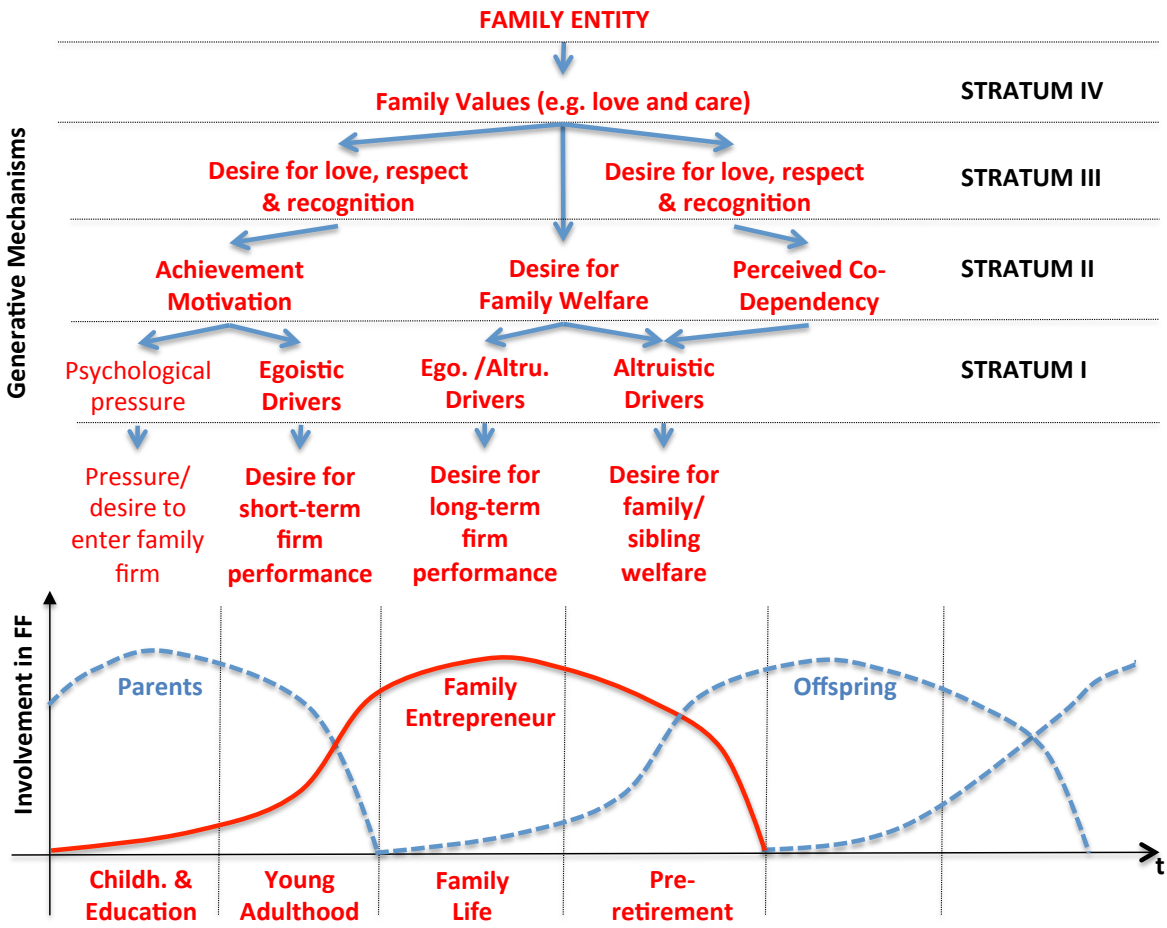


Figure 6.4: Family influence and life stages (stylised graph)

It should be noted that there are no clear cut-offs between the four stages. In other words, the boundaries between the different phases are blurred, and every individual does not necessarily encounter all of these stages. Instead, the stages are intended to provide a rough indication of the family members' association with the company throughout their lifetimes and under the assumption that the business remains a family firm.

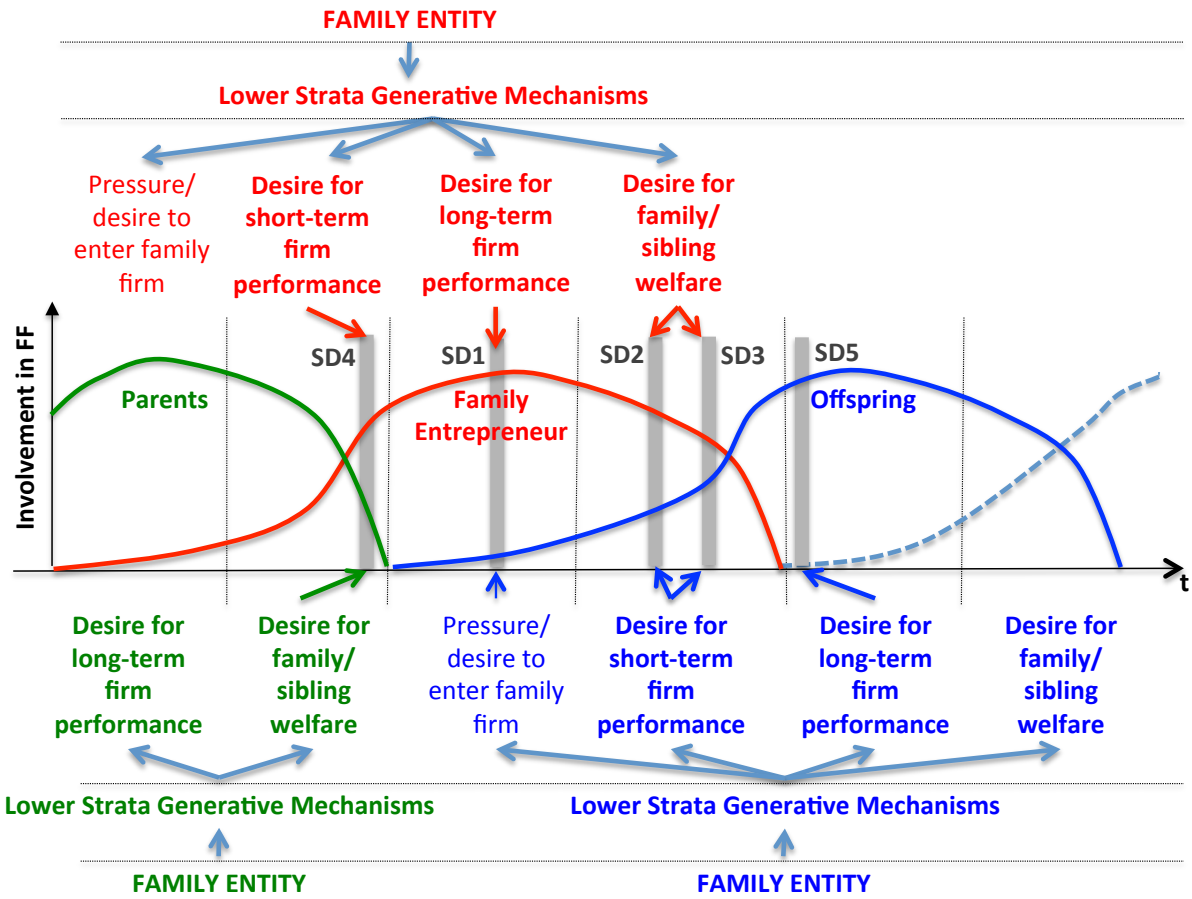


Figure 6.5: Life Stages and family influence on the strategic decision-making process (stylised graph) (original in colour)

The purpose of the framework is to provide an indication of how the family context influences the individual decision-maker(s) relative to the point in time when a strategic decision is taken. In Figure 6.5, five decisions are plotted along the ideal typical life stages of the family entrepreneur. Below, it will be explained how the influential power of the family context on the strategic decision-making process varies across five decisions based on naturally changing relationships (e.g. between offspring and parents) within the family entity.

Strategic Decision 1 involves a situation where only one generation is actively involved in the business. The parents have retired and transferred both ownership and management of the firm, whilst the offspring of the managing generation are not yet old enough to join the management of the family firm.

Cases 4.1, 4.2, 5.1, 7.1, 7.2 are examples of this pattern. The data indicate that across these cases the most resource-intensive decisions were taken, substantially contributing to the family firm's long-term future. Case 4.1, for example, involves the

complete overhaul of the management system of the firm (introducing Syntegration), substantially changing the firm's management structure for the future. Case 5.1 constitutes an investment of close to 40 million euros in a new butchery, laying the foundation for the future cross-generational survival of the firm. Case 7.2 revolves around the takeover and integration of one of the firm's main competitors, involving substantial amounts of resources (human and capital), re-shaping the local competitive landscape and the company's existing brand.

Additionally, the respondents' life histories indicate that the periods of largest growth took place at times when only one generation was actively involved in the business (e.g. historic growth rates for Firms 1, 2, 3, 4, and 5, and present growth rates for Firms 3, 6, and 7). This shows that when direct family influence within the family firm is lowest (no direct involvement of other family members in the strategic decision-making process), resource involvement in strategic decisions is highest and/or the scope of strategic decisions is greatest. The tendency to make substantial long-term investments is thought to be due to a change in the individual family entrepreneur's perspective, which is indicated by a shift from largely egocentric traits (that is, the desire for short-term performance to gain parents' respect and recognition) to more altruistic traits resulting from changing family relationships, that is, the foundation of the entrepreneur's own family and the accompanied family values of love and care, and the resulting desire for long-term family welfare. This is linked to the perspective of having a potential successor, which in turn puts both physical (early integration into the family business) and psychological pressure (pressure to succeed in the family firm) on the offspring, offering an explanation for the strict entrepreneurial upbringing of children in entrepreneurial families and their subsequent tendency towards high achievement motivation.

Whilst direct family involvement in the business is at its lowest at this point in time, it can be argued that the owning/managing generation is driven by familial values, explaining the tendency towards resource-intense long-term investment during this phase. This tendency is supported by the family entrepreneurs' relative security with regard to his/her personal and family long-term welfare (most of the entrepreneur's working life is ahead, resulting in psychological security that potentially wrong decisions can still be corrected).

Hence, in the family-life stage, the entrepreneur's tendency towards substantial long-term decisions emerges from his/her relationship with the family, accompanied familial values, and arising responsibilities towards the family, rather than from direct

social interaction with family members with regard to business strategy (see early adulthood stage and pre-retirement stage). This family responsibility and tendency towards long-term investments, in turn, puts pressure on the offspring and lays the foundation for the offspring's development of increased achievement motivation.

The life-stage model indicates that decisions taken in this phase are influenced by the entrepreneur's tendency towards long-term family welfare. Thus, the existence of offspring (parents' prospect of a future successor) strengthens the family entrepreneur's behaviour.

In the case of Strategic Decisions 2 and 3, SD2 constitutes a situation where the offspring has recently officially joined the management (and ownership) of the firm, meaning that two generations are actively involved in the business. Whilst the young generation face the challenge of establishing themselves in the firm, the older generation is confronted with the issue of sharing responsibility whilst securing both family welfare and firm survival. The older generation also faces the dilemma of binding the younger generation to the firm in order to secure the cross-generational survival of the family firm. In this phase, family influence on strategic decisions is shown to be strong – for the offspring, the family firm provides an extension of the previous family context, i.e. unlike the usual family context, in which mature offspring generally move out, leaving the home and the watchful eyes of their parents, in the family firm context, the offspring remain in the family construct by joining the family business. In other words, the predefined family hierarchies are extended into the business context, acting against the natural progression of moving away from the hierarchical structures of the family. In this phase it is shown that the offspring may be characterised by strong achievement motivation in order to gain their parents' respect and recognition, resulting in egocentric traits and a tendency to take greater risks for short-term rewards. The parents, however, are still largely in control and face the challenge of setting boundaries that will allow their offspring to take on responsibilities (due to co-dependency). The final decision, however, still lies with the parents.

As the offspring mature in the business and the parents slowly approach retirement, the generative mechanisms emerging from the family entity gain in strength (see SD3). On the one hand, the offspring are required to achieve well in order to succeed in the business, i.e. they face the need to take on further responsibilities and make their own decisions. On the other hand, the parents are dependent on their offspring to succeed in the business, facing the need to give up responsibilities and allow their offspring a counting vote in the

decision-making process. That is, in order to establish themselves in the business and to gain their parents' respect and recognition, the offspring need to act egocentrically, whilst the co-dependency between parents and offspring promotes the parents' altruistic behaviour up to the point where family-oriented altruism threatens the parents' personal welfare. This is shown in Cases 1.1 and 1.2.

As the parents reach retirement and the offspring enter and mature in the business, there tends to be a mismatch between the parents' increasing desire for the welfare of the family and their offspring, and the offspring's desire for short-term success, both resulting from the co-dependency between parents and offspring. Put differently, the offspring are willing to take on high risks for short-term rewards, which, to some extent, is promoted by the parents' family-oriented altruism, ultimately threatening the parents' personal welfare and potentially the welfare of their offspring and the business. This pattern can be characterised by frequent family conflict (see Cases 1.2 and 2.2), putting the family firm in a vulnerable state, whilst repeatedly successful management of this phase over generations can be seen as a major determinant of the long-term survival of the firm. One way of minimising this threat is the introduction of clear succession rules and regulations as well as decision-making procedures to reduce family influence and emotional decision-making, which supports the findings that the business entity gains influential power with the increasing age of the family firm.

The life-stage model illustrates the situation where two generations are actively involved in the business, and indicates how the family context influences both generations differently. The overall picture shows that despite the differences, the behaviour of both generations is closely intertwined. The younger generation's egocentric behaviour and tendency to take greater risks is supported by the older generation's altruistic behaviour and desire for the welfare of their family and offspring,, which in turn impacts on the strategic decision-making process in the family firm.

Strategic Decisions 4 and 5 can be seen as borderline cases, where a change in the family relationship has just taken place or is just about to take place. SD4 exemplifies a situation where the younger generation has taken control and/or ownership of the business, but the older generation is still actively involved in the business (e.g. Cases 6.1 and 6.3). This indicates the older generation's desire for the welfare of their family and/or offspring, reflected in the desire to retain some control over the business and the decisions taken. This desire to retain control may result from cognitive distrust in the successor's abilities and/or the senior family member's unwillingness to relinquish control. Such a situation

may become a threat for the family firm, stemming from the tendency towards conflict between the senior generation and the mature successor.

Strategic decision 5 indicates that in some instances the boundaries between the different life stages, although generally blurred, can be fairly clear-cut, resulting in immediate and substantial strategic changes in the family firm. In Cases 3.1 and 3.2, for example, substantial long-term changes took place immediately after the previous CEO handed over control and ownership (full change of TMT and entire management structure; restructuring of the entire production plant over seven years; initiation of growth plans to grow 40% within the coming five years). In addition to the cases listed under SD1, Cases 3.1 and 3.2 lend further support to the effects on business strategy resulting from a change in family relationships.

The life-cycle stage framework aids in understanding the strength and kind of family influences on the strategic decision-making process based on the relative age of the respondents and the composition of the TMT (with regard to the number of generations involved in the decision-making process). The framework sheds further light on the complex matter of decision-making in the family firm and provides an indicator of the type of decisions family entrepreneurs are likely to pursue based on the stage at which they are in their lives.

It should be noted, however, that the life-stage model has been developed on the basis of firms acting in a very specific regional context. Consequently, the life-stage framework does not present a model generalisable to all family firms, but instead provides a concept aiming to stimulate thought by opening up a field for future research as to how the family context influences family firm strategy relative to the life stage of the individual entrepreneur and the make-up of the TMT.

Existing life-stage models have faced criticism, some of which may be applicable to the concept presented here, including the fact that not all stages apply to all firms (see for example Churchill and Lewis, 1983). The life-stage model presented here can be applied to any family firm within the specific cultural context at any point in time, since all family firms will typically face periods with only one generation actively involved in the business and periods where more than one generation is involved in the business. However, this model does not claim to present a full explanation of family influences on family firm strategy; instead, it presents a number of, and the interplay between, generative mechanisms that have been found to be influential in the decision-making process across a sample of firms situated within the specific geographical context of this study. The

mechanisms generalisable to the sample emerge from necessary relationships within the family entity. The mechanisms emerging from necessary conditions are generally accompanied by case-specific mechanisms (contingent conditions), which have often been formed through years of social relationships, and via social interaction amongst the individual members of the family (structural elaboration) who themselves possess unique personalities and characteristics (e.g. Firm 1: Strong sympathy between father and mother due to the mother's illness; Firm 2: Father's Sudeten German background resulting in an increased desire to fight for belonging, affecting relationships with offspring; Firm 3: Growing aversion between father and son due to constant psychological pressure exerted on son from early childhood; Firm 4: Status of first-born male within the family; Firm 5: Decision of one family member to drop out of the firm, leading to a division in the family, hate and distrust, and increased co-dependency between the father and the remaining son; Firm 6: Father's desire to cling to the business despite an age of over 80 years negatively affecting the relationship between father and son; and Firm 7: Father/son conflict affecting the relationship between the son and his offspring) solely applicable to the individual case and/or firm. Only the combination of mechanisms emerging from the necessary relationships and those emerging from contingent relationships will enable a researcher or practitioner to gain a holistic picture of the strategic decision-making process in a particular family firm. The life-stage model, however, provides a useful starting point for understanding the role of the family context and how it impacts on the decision-making process relative to the age of the family entrepreneur and the composition of the TMT (i.e. the number of family members involved in the decision-making process).

6.6 The family entrepreneur's life-stage model and the age and size of the business

The question remains as to how the life-stage model fits firms of different sizes and ages. Across the sample of 13 cases, a number of mechanisms have been identified emerging from the family entity, the business entity, and the family-business relationship entity (see Figure 6.1). These generative mechanisms exist independently of the age and size of the family firm, since they emerge from relationships that are necessary across all family firms within the sample (e.g. the relationship between father and offspring; the relationship between family and family firm). However, the influential strength of the mechanisms emerging from the individual entities shifts with the increasing size and/or age of the firm. In particular, with the increasing size of the business, the mechanisms emerging from the

business entity draw influential power away from the mechanisms emerging from the family entity. Similarly, with the increasing age of the firm, the mechanisms emerging from both the family-business relationship entity and the business entity gain influential strength, weakening the influence of the family entity on the strategic decision-making process. Thus, the mechanisms emerging from the family entity exist independently of the age and size of the business, but they also vary in strength. Hence, the life-stage model needs to be applied under consideration of the specific context (age and size of the family firm) to indicate the influence of the family context on the strategic decision-making process in a particular family venture.

6.7 The life-stage framework as an indicator of change

To some extent, the life-stage framework corresponds with Greiner's (1972) model of organisation development. Greiner argues that organisations can be characterised by periods of evolution and revolution, that is, periods of consistent growth (evolution) are generally followed by periods of 'serious upheaval of management practices' (1972:40) (revolution), leading to a change in management style and subsequently to a new period of evolution. In non-family firms, and particularly in fast-paced industries with fast company growth, adaptations of such kinds occur within relatively short timeframes. However, as shown in this study, family firms are different to non-family firms, often following long-term strategies and prolonged periods of growth. The author argues that within family firms, Greiner's model corresponds with the life-stage model of the family entrepreneur, where stages of evolution (growth periods over the duration of the family entrepreneur's 'family life stage') are followed by periods of revolution ('pre-retirement stage', where the offspring enter the business). It has been shown that, as indicated by Greiner, such prolonged phases of revolution (as the offspring aim to establish themselves in the family firm) are often followed by substantial changes in management style (see for example Firms 3, 4, 5, and 7, and also the life histories in Firms 1 and 2) and new periods of consistent growth. Greiner (1972) argues that the long-term success of firms lies in their ability to change and adapt, which is consistent with the findings reported here – the family firms examined have all been successful over generations, and/or experienced sustainable business growth; it has been shown that in both mature and large firms the business entity has gained considerable strength, indicating the management's commitment to change and adaptation. This openness to change from a family perspective towards a business

perspective may hold the key to success, and failure to be open in this way may offer an explanation of why most family firms fail to reach the third generation.

6.8 Findings in the context of previous studies

Previous research has identified some of the influences found in the study presented here. These influences are outlined in the literature review in Chapter 2. What distinguishes the results of this research from previous findings, however, is its in-depth explanation of *how* the family context influences strategic decision-making processes in family firms. The lack of knowledge of where these influences come from, what triggers them, and how they interact has been identified as one of the major gaps in family business research (see for example Chrisman, Chua, and Sharma, 2005; Nordqvist, 2011). The results presented here provide answers to these questions, and the author argues that the choice of a critical realist perspective has offered the key to go beyond that which is empirically observable, offering in-depth insight into what triggers certain mechanisms and *how* they indirectly govern the strategic behaviour of individual family members. In discovering these underlying drivers of strategic action, the author also provides an answer to the question of whether family firm strategies really are different to strategies followed by non-family firms.

More importantly, the author discovers that the size and age of the family firm has a substantial influence on how the family context affects the strategic behaviour of the individual family entrepreneur, and subsequently on the strategic decision-making processes in the family firm. The author identifies the foundations of decision-making in small, medium, large, young, and old firms, and finds that those foundations differ depending on the age and size of the family firm. This finding is crucial, as it directly addresses one of the main errors in family firm research: the lack of a generally accepted definition of the family business, considering the age and size of the firm. This lack of a common definition has previously led to an incomparability of research results in the field of family business strategy.

Further, the author not only finds that the size and age of the business directly influence how the family context affects strategic decision-making processes in the family firm, but discovers the importance of the life-cycle stage of the individual family entrepreneur. The results show that the family entrepreneur's behaviour changes throughout their life cycle. The author establishes the connection to the family context and explains how the life-cycle stage of the individual affects the influential strength of the

family entity on the behaviour of the individual, and consequently on the strategic actions that the individual pursues.

6.9 Summary

In this chapter three models have been developed, explaining: (1) the indirect influences (generative mechanisms) on the strategic decision-making process in the family firm that arise from the family business context; (2) the influential strength of the generative mechanisms emerging from the family entity, the business entity, and the family-business relationship entity relative to the age and size of the business; and (3) the specific influence from the family entity on the family entrepreneur across the different stages of the individual's life. The following chapter places the findings into the context of prevalent theories in family business strategy research, and discusses the contribution of this study to the field of family business research and management practice.

CHAPTER 7: CONCLUSIONS AND RESEARCH CONTRIBUTION

7.0 Introduction

This study set out to explore the strategic decision-making process in family firms. The initial research question was 'how does the family context influence strategic decisions in the family firm?'. The question resulted from the dearth of research into family firms' strategic processes (see for example Basco and Pérez Rodríguez, 2009; Ibrahim, Angelidis, and Parsa, 2008; Lindow et al., 2010) and the consequent lack of understanding of how strategies are made in family firms (see for example Chrisman, Chua, and Sharma, 2005; Nordqvist, 2011; Salvato and Melin, 2008). Specifically, the study aimed to contribute to the theoretical understanding of how and if the strategy process in established family firms may be affected by the overlap (Tagiuri and Davis, 1996) or fusion (Basco and Pérez Rodríguez, 2009; Pieper and Klein, 2007) of family and business life. The author concludes that this lack of understanding of the strategic decision-making process in the family firm is the result of too narrow a focus on dominant theories in family firm research (e.g. RBV, agency theory, stewardship theory) and the subsequent attention to the outcomes and performance of family business strategy, rather than focussing on the antecedents that drive strategic action, that is, the process of *how* strategic decisions evolve. The findings of this study provide evidence for this and show that it is the antecedents of strategic decision-making, that is, the underlying drivers of business strategy and the way they interact, that indirectly determine the strategic behaviour of the individual (see Figure 6.1). From whence these underlying drivers emerge, what triggers them, on what their strength depends, and how they cause particular events in the strategic decision-making process to happen has so far been neglected in family firm strategy research. This study sheds light on this, and provides in-depth insight as to what lies underneath the strategic decision-making process in family firms. It explains how the age and size of the business affects the strength and interplay of underlying drivers, and how the life stage of the family entrepreneur influences the way the family context affects business strategy.

This chapter explains where the findings link to existing research and prevalent theories on strategy, how they aid the general understanding of family firm strategy, and how the study contributes to further the field of family firm research.

7.1 The findings in the context of dominant theories

In Chapter 2, a number of predominant theories and concepts in family firm strategy research are identified, namely agency theory (Jensen and Meckling, 1976), stewardship theory (Davis, Schoorman, and Donaldson, 1997), the resource-based view, or RBV (Wernerfelt, 1984), and as an extension of the RBV for family firms, the concepts of familiness (Habbershon and Williams, 1999) and social capital (see for example Hirsch and Levin, 1999; Leana and Van Buren, 1999). These theories have made invaluable contributions to the development and establishment of strategy research in family firms over the past two decades. However, largely stemming from the field of strategic management, these theories were adapted and moulded to fit family firm strategy rather than emerging from within field of family firm research, and although they form a valuable foundation for family firm strategy research, the theories only partly appreciate the uniqueness of strategy in family firms where family and business interests are closely intertwined. Agency theory, for example, presumes the self-serving human (Chrisman et al., 2007) and has been criticised for ignoring the social aspects of relationships (see for example Cropanzano and Mitchell, 2005; Lubatkin, 2005; Shapiro, 2005) that are thought to be at the centre of family firm strategy. Stewardship theory, in contrast, incorporates psychological and sociological forms of human behaviour and assumes individuals to be pro-organisational, acting in the best interests of the firm and its stakeholders, rather than based on pure economic self-interest (Chrisman et al., 2007). It therefore recognises the emotional side of human behaviour in business strategy, but as with agency theory, it is cost- and outcome-oriented, and does not provide an explanation of *how* strategy emerges from the family-business relationship. Similarly, the RBV and related concepts of familiness (Habbershon and Williams, 1999) and social capital theory acknowledge the importance of familial values in family firm strategy development, but focus on their outcome, specifically the competitive advantage family firms may possess due to their unique internal resources and competencies developed over time and deriving from the family-business set-up, neglecting to explain how this unique business setting impacts on the process of strategy formulation. Further, although the concept of familiness contributes towards an understanding of the network of social relationships within the family firm (Pearson et al., 2008), the concept remains fuzzy and unexplored (Chrisman, Chua, and Steier, 2005) and the dimensions that could not be further specified by the RBV have been referred to as the 'black box of familiness resources and capabilities' (Pearson et al., 2008).

In particular, the concept of familiness lacks empirical backing as well as further explanation of *how* the proposed variables influence strategy formulation in the family business. Further, none of these theories recognise the importance of the size and age of the family firm in relation to business strategy, nor do they pay attention to the life stage of the individual family entrepreneur, both of which have been shown to be highly influential in the development of business strategy (see for example Figure 6.2 and Table 6.1).

This research addresses the gap of *how* strategy evolves in the family firm and thereby contributes to the existing literature by providing in-depth insight into strategic decision-making processes. Using a strategy-as-practice perspective and a critical realist approach, the author views strategic decision-making in the family firm from a micro perspective and develops a framework that explains the antecedents to strategic action deriving from the family-business relationship and how these affect the strategic decision-making process in the family firm. Specific focus is directed towards the influential strength of the family context and how this changes with the increasing size and age of the family business.

7.2 Findings in the context of the lack of a definition of the family firm

The findings show the fragmented nature of the family business, and that family influences and business strategy are dependent on the management set-up, size, and age of the family firm, and on the age of the individual family firm manager. This shows that the family business cannot be regarded as a fixed, standardised construct, but clear distinction needs to be made with regard to a number of variables that determine the influential strength of the family context on the business strategy. If this distinction is not made, research results will lack comparability and/or may yield differing results. Based on the findings, the author suggests four variables to be considered in a classification of the family firm. These are: (1) size and (2) age of the family business, as well as (3) ownership and (4) management (= the composition of the TMT), including the life stage of the individual family entrepreneur.

The size of the business has been shown to affect the influential strength of the family entity, ranging from strong family influence in smaller firms to minor family influence in larger firms. Similarly, the influential strength of the family context varies with the age of the business (see Figure 6.2). Whilst in younger firms the family business often constitutes the centre of familial life, in more mature firms succession and

ownership, as well as future management, are often strictly regulated, and every new family member does not automatically have the right to enter or own the family business; instead, 'privilege' to succeed needs to be earned, is based on pre-defined criteria, or is even determined by birth order. Particularly in the case of the latter, the need for succession (e.g. in the tenth or fifteenth generation) may for some individuals constitute a burden and/or involve strong psychological pressure (e.g. the need to perform well due to close identification or social reputation of the entire family clan with regard to the business). Hence, with the increasing age of the firm, the relationship between the family and the business changes and the family business turns into a 'workplace' rather than the centre of familial activity, subsequently leaving increasingly little room for family influence on business strategy. Since the strength of the family influence indirectly determines the family firm's strategic behaviour, classification of family firms with regard to the age and size of the business is vital. Accordingly, in terms of age, differentiation should be made in terms of small, medium, and large firms (see Chapter 2); with regard to age, classification should relate to the generation of the firm.

Additionally, the ownership and management of the business are important with regard to business strategy, since both further determine the influential strength of the family entity and subsequently the decisions taken within the family firm. That is, family influence has shown to be greatest in cases of full ownership and pure family management (see the notion of 'Familienbande', Chapter 6); as with the increasing age of the business and the integration of family externals in the strategic decision-making process, decision-making processes become more regulated and the points where the family (e.g. family members not actively involved in the business) is able to impinge on the business strategy become more limited. Further, it has been shown that with regard to the management of the business, the age or life-cycle stage of the family entrepreneur(s) should also be considered, as this may impact on the way the family context influences the individuals' behaviour and subsequently the strategic actions they are likely to pursue (see Figures 6.4 and 6.5). This shows that clear categorisation of family firms in terms of ownership and management is vital for the comparison of academic research results, as well as for practitioners, to understanding the complex and changing relationship between the family and the business, and the strategic behaviour of the family entrepreneur(s). Thus, with regard to ownership, the author supports the categorisation offered by Miller, Le Breton-Miller, and Lester (2010, 2011) of significant family ownership (>50%) and minor family ownership (<50%), and with regard to management, the author supports the categorisation

offered by Miller and Le Breton-Miller (2004), who distinguish between significant family involvement in management, where family members hold more than 50% of votes on the board or are able to outvote possible non-family board members, and minor family involvement in management, with family members holding less than 50% of votes or are not able to outvote external board or TMT members. The author also suggests the inclusion of the life-stage of individual entrepreneur(s) in terms of TMT composition.

The results of this study support the call to categorise family firms, and provide evidence for the changing nature of the family firm with regard to the size, age, ownership, and management (TMT composition, life stage of family entrepreneur) of the business. The author suggests that categorisation according to these variables is vital for both academics and practitioners.

7.3 Summary: Influences on strategic decisions in the family firm

The findings show that the family context and the relationships resulting from it are influential in the family firm's strategic decision-making process, and therefore provide empirical evidence for the concept of familiness. However, the research reported here reaches beyond the identification of family-related variables, and explains *how* the family context influences strategic decisions; that is, how the interplay of various drivers emerging from the family-business setting governs the behaviour of individual family members and, as a result, indirectly influences the strategic decisions they pursue (see Figure 6.1). The results show that this interplay of generative mechanisms and the resulting actions and behaviours (events) are strongly dependent on the age and the size of the family firm (see Figure 6.2) as well as on the life stage of the individual family entrepreneur. The family firm provides the context for strategic action; the age and size of the family firm shape the underlying social structures. Hence, the age and size of the family firm transform the social structure upon which strategic actions are based. Whilst in young and small family firms the underlying social structures are characterised by strong relationships between family members, which are mirrored and valued in the business context, these relationships are overpowered by stricter regulations and increased standardisation emerging from the business context as the family firm grows. As a result, the underlying social structure of the family-business construct transforms with the firm's increasing size, and the generative mechanisms emerging from the family entity become less influential, subsequently affecting the strategic behaviour of the individual family

members. Similarly, with the increasing age of the family business the underlying social structures also transform. As the business matures over generations, the relationships emerging from this distinct family-business relationship increase in influential strength, and the mechanisms triggered by these relationships play an increasingly important role in shaping the family members' behaviour and thus the actions they pursue; decision-making processes are increasingly governed by established rules and regulations, structures, and processes, set up to secure the survival of the firm (e.g. mechanisms against ownership dispersion) whilst limiting the impact of the family entity on business decisions (e.g. clear rules as to who is allowed to succeed and become actively involved in the business). To some extent this supports the findings of O'Regan et al. that terms such as 'strategy' and 'strategic thinking' are used more frequently in third-generation firms than in second-generation family businesses, and their conclusion that 'the lack of formalized strategic thinking (could be) one of the reasons for the high attrition rate of FB firms from the second to the third generation' (2010:70). Put differently, with increasing age family firms are required to adopt more formalised strategic processes and thinking in order to survive generational transition, which is shown by the decreasing influence of the family context within the strategic decision-making process with the growing maturity of the family business. It can therefore be argued that the firms that manage this change have higher changes of cross-generational survival. The findings also provide both an explanation and counterargument for Betrand et al. (2008) who find a deterioration of performance after control passes on from the founder to his descendants, and more so as the number of family members involved in the management increases – with increasing age and size the underlying social structures transform, and only family firms that are able to minimise the influence of the family entity on business strategy by allowing power to shift towards the business entity (i.e. to control the mechanisms exerted from the family entity) will manage to survive over the long-term. Similarly, the findings support Caselli and Gennaioli (2013), Perez-Gonzales (2006) and Villalonga and Amit (2006) who attribute declines in performance to poor academic records and managerial quality of the heirs. The findings reported here reach beyond Perez-Gonzales' (2006) and Villalong and Amit's (2006) conclusion and provide insight into the underlying structures and powers that govern the actions and behaviour of the individual actors allowing for strategic decisions, such as the inclusion of unskilled family members, to be made (e.g. altruistic traits resulting from co-dependency between parents and offspring). The way social structures transform with increasing age and size of the business and *how* the mechanisms they trigger influence the

behaviour of the family TMT has not been demonstrated before in the family business context, and these findings therefore substantially contribute to the understanding of family firm strategy.

In addition, the findings suggest that decision-making in the family firm cannot be generalised to the unit of the family firm as such, but distinction needs to be made with regard to the composition of the TMT and the relative life-cycle stage (see Figures 6.4 and 6.5) of the individual entrepreneur. The life stage the individual family entrepreneur not only provides an indication of the risk involved in the strategic actions they may choose to pursue (see for example Vroom & Pahl, 1971), but is also a determinant of the individual's behaviour in the decision-making process (egocentric behaviour or altruistic behaviour), and the family manager's strategic investment focus (short- or long-term). Thus, it should be noted that the proposed life-stage model cannot predict the exact behaviour of each and every family entrepreneur. Rather, it needs to be regarded as an indication of how the priorities of the family firm manager may change, assuming of an ideal healthy and harmonious family setting, and how this shift in priorities may affect the strategic thinking of the individual over the course of a lifetime.

7.4 Contributions

7.4.1 Contributions to theoretical development of family business research

Despite overwhelming evidence that business strategy in family firms differs from that in non-family firms due to the close link between the family and the business, the area of strategy development and decision-making in the family firm has remained largely understudied within family firm research over the past 40 years (Ibrahim, Angelidis, and Parsa, 2008; Zahra and Sharma, 2004). There is a dearth of research into the actual strategy process (see for example Basco and Perez Rodriguez, 2009; Ibrahim et al., 2008; Lindow et al., 2010; Zahra and Sharma, 2004), resulting in a lack of understanding of *how* strategies are made in family firms (Chrisman, Chua, and Sharma, 2005; Nordqvist, 2011). In particular, research into family firm strategy lacks a clear theoretical explanation of *how* (Salvato and Melin, 2008) the actual strategy process in established family businesses is affected by the overlap (Tagiuri and Davis, 1996) or fusion (Basco and Pérez Rodríguez, 2009; Pieper and Klein, 2007) of family and business life. In exploring the strategic decision-making process in the family business and explaining *how* the family context

influences strategic decisions from a perspective that examines the micro-processes of the strategic decision-making process, this thesis makes a significant contribution to family business research, and particularly to the field of family firm strategy.

(1) Holistic understanding of strategic decision-making processes

By explaining *how* the family context influences strategic decisions in the family business, the author contributes to a more holistic understanding of family business strategy. Moreover, the author reaches beyond established and prevalent concepts in family business strategy research (e.g. the concept of familiness), offering an empirical justification for the existence of family-related drivers including altruism, trust, achievement motivation, and love and care, and also explaining from whence these factors emerge, what triggers them, and how they interact to cause specific events to occur. Over a sample of 13 cases, the author identifies factors that emerge from the unique interaction of family and business driving strategic decision-making across firms of different sizes, ages, and management set-ups, and singles out drivers that are specific to individual cases. By focussing on the family influence on business strategy and explaining how family-related drivers influence the strategic decision-making process, the author fills a gap in the existing literature on family firm strategy, previously referred to the 'black box of familiness resources and capabilities' (Pearson, 2008:952), and contributes to a more holistic understanding of strategy development in the family business. Based on the findings, the author identifies a number of indirect drivers (generative mechanisms) of family firm strategy that are influential on the strategic decision-making process across family firms of different ages and sizes. Such drivers have previously been summarised under the umbrella concept of 'familiness' (Habbershon and Williams, 1999). Novelty is added on a number of fronts. Firstly, the author provides empirical evidence for the existence of family-related factors influential in the formation of family firm strategy, and indirectly furthers the conceptual models based on the familiness construct (e.g. Arrègle et al., 2007; Habbershon and Williams, 1999; Pearson et al, 2008). Secondly, by using a critical realist approach the author clearly explains the emergence of these generative drivers, their interrelation, and *how* they impact on the strategic decisions-making process in the family firm – aspects that have to date been largely neglected in the family business strategy literature (see for example Nordqvist, 2011; Salvato and Melin, 2008; Sharma and Irving, 2005; Zellweger et al., 2010). The research therefore fills a gap in the existing literature on family firm

strategy. In addition, the author goes further and examines the influential strength of the underlying drivers of business strategy in relation to the age and size of the family firm (see for example Table 6.1 and Figure 6.2), and contributes towards an improved understanding of the family-business context and its effects on family firm strategy across family firms of different ages and sizes.

More importantly, the author finds that the identification of the generative mechanisms underlying the strategic decision-making process only partly explains how the family context influences business strategy, and argues that a holistic understanding can only be gained by exploring how the family context affects the behaviour of the individual family entrepreneur. The data indicate that the entrepreneur's current personal life stage has a substantial effect on how the family context influences strategic decisions in the family firm. Hence, this study's main contribution lies in the development of an entrepreneurial life stage model indicating the *how* the family context influences the strategic behaviour of the individual, and indirectly influences the strategic decision-making process in the family firm. Therefore, one of the main contributions to existing family firm research is in the development of the life stage model for family entrepreneurs. The model reaches beyond the family-business relationship and sheds light on the specific relationship between the family and the family entrepreneur. In particular, the model indicates how the individual family member's strategic behaviour is altered over the course of a lifetime by a shift in priorities emerging from the family entity. The direct influence of the family on the family entrepreneur's strategic behaviour throughout different life stages had not previously been explored. Thus, the author opens up a new field in family firm research that explores the family influence on specific family members actively involved in family firm strategy.

As such, the study not only fills a gap in the existing research, contributing towards a more holistic understanding of family firm strategy, but also opens up a new avenue for future research, whilst stimulating discussion around the relationship between the family and the individual family member, and the effects of this relationship on business strategy.

(2) Introducing elements for the categorisation of family firms

To date, there still exists a lack of consensus regarding a common definition of the family firm, which has been pointed out as a concern by both academics and practitioners (see for example Vought, Baker, and Smith, 2008). One of the problems with finding a definition is

the fragmented nature of the family firm with regard to ownership structures, management set-ups, and the degree of family involvement (see the discussion in Chapter 2). This disengagement amongst family firm researchers as well as amongst practitioners has had profound effects on both the comparability of research results and the general understanding of how family firms function, since the way in which family firms are set up in terms of management, family involvement, and ownership will largely determine these firms' short- and long-term goals, their visions, and ultimately how they pursue the daily task of strategy development. There have been calls for a categorisation of family firms (see for example Basco and Perez Rodriguez, 2009; Chrisman, Chua, and Sharma, 2005; Vought et al., 2008) in order to yield more comparable research results and further the understanding of family firms.

The findings provide empirical evidence that the family firm cannot be considered as a single unit of analysis or definition, based on the changing nature of family influence relative to the age, size, and management set-up of the firm and also across different life stages of the individual family entrepreneur. The author does not intend to formulate and introduce a common definition of the family firm – this would need to evolve through future discussion and interaction amongst both academics and practitioners – but to contribute to the development of the field by introducing empirically sound categories that may stimulate such discussion towards a future definition.

The contribution of this research lies in the subtlety of comparison between firms of different sizes (small, medium, and large) and ages (second generation to twentieth generation), and the provision of empirical evidence for the need for categorisation, as raised by Vought et al. (2008). Based on the findings, the author introduces different categories, namely (a) size, (b), age, (c) ownership, and (d) management (including the composition of the TMT, and the life stage of the entrepreneur(s)) as a basis for discussion towards a common definition of the family firm.

(3) Development of research framework (nine-step model)

It has been argued that new insights into family firm strategy are to be found at the micro-level of social interaction amongst family actors (Nordqvist, 2011; Nordqvist and Melin, 2010). The author has adopted such a micro perspective on family firm strategy and, based on the findings of the research, supports the view that research at the micro-level of social interaction can offer new insights into a more holistic understanding of how family firms

function, how they pursue their strategies, and why family firms differ from non-family firms. To gain such in-depth insights, the author has chosen a critical realist perspective, which has proven to be particularly relevant to family firm research as it offers an explanation for the emergence and interaction of the underlying family-related mechanisms that drive strategic decisions. The critical realist perspective acknowledges that there exist different depths to reality, supporting the existence and subsequent identification of underlying drivers acting at the micro-level of business strategy. However, the critical realist perspective is underrepresented in management research (Easton, 2010; Nordqvist, 2011), and existing models (see for example Danermark et al., 2002) lack practical application. Based on the critical realist perspective, with antecedents in Bhaskar (1975) and Archer (1995), the author has developed a nine-step model focussed on the retroductive process, which reaches beyond the empirically observable and provides a methodical approach to unveil the generative mechanisms that indirectly drive family firm strategy and how they interact to cause specific events. The author argues that this nine-step model offers a useable alternative framework for the generation of knowledge from a micro perspective and for theoretical development in family business research.

7.4.2 Implications for policy makers and management practice

Family firms constitute the driving motor of many nations' wealth, economic performance, and employment (Morck and Young, 2004); however, they also face significant challenges to survive and prosper across generations (see for example Chirico and Nordqvist, 2010), including conflicting intentions, altruistic behaviour and the so-called Samaritan's Dilemma (see Buchanan, 1975), and ownership dispersion (see for example Chrisman et al., 2005). Strategic decisions taken within the family firm are at the heart of family firm survival. Understanding how the family setting impacts consciously or subconsciously on family firm strategy, and knowledge of the factors that drive strategic action may ultimately lead to better-informed decisions and therefore help family entrepreneurs. Particularly in smaller and younger firms, where social interaction and subsequently strategic decisions are often emotionally laden, knowledge of the subconscious drivers and how they interact may encourage more rational decision-making. Such knowledge may also assist companies or individuals dealing with family firms, such as management consultancies, family offices, and external advisors, in their understanding of what motivates individuals' actions in the strategic decision-making process.

The findings indicate that as the family business grows and/or matures the influential power of the family entity diminishes, whilst the mechanisms emerging from the relationships within the business entity and the family-business relationship entity become more powerful in the strategic decision-making process. All the businesses examined in this research are successful family firms, which have experienced sustainable growth over decades and/or survived successfully over numerous generations. In all the large firms examined, there has been this substantial shift of power away from the family entity towards more structured decision-making and management processes, promoting more rational and less emotional decision-making by limiting the influence of the family context on the business strategy; in all mature firms in the sample, this shift could also be identified combined with an increased tendency to focus on long-term strategy rather than short-term profitability, aiming to preserve the heritage of the business across generations. Considering the high attrition rate of family firms from the second to the third generation (see for example Poe, 1980), possibly resulting from a 'lack of formalized strategic thinking' (O'Regan, 2010:70), it can be argued that the success of these firms may partly be due to allowing and managing this structural change, that is, the shift in influential power away from the family entity as the business grows and/or matures. The findings provide in-depth guidance to practitioners, including both family entrepreneurs and people working with family firms, as to how the family context influences the strategic decision-making process in relation to the life stage of the individual family entrepreneur, and how successful family firms manage the shift of underlying powers and liabilities with regard to business strategy as the firm grows and/or matures. For the family entrepreneur, these findings may be important as they help to understand what governs business strategy in large and/or mature firms compared to small young firms, and demonstrate that the willingness to allow this change in underlying powers (i.e. limiting the influence of the family context and the subsequent introduction of more formalised structures, regulations, and processes) may provide a step towards a recipe for long-term and cross-generational success. Similarly, the results are relevant to advisors or consultants to family firms for a better understanding of the influences on the family entrepreneur and family firm strategy, and in the formulation of change strategies to offer higher chances of cross-generational survival.

7.5 Key lessons for strategic decision-making and their impact for practitioners

The family firms examined in this research are all successful ventures. All of these businesses have survived the first generational transition, most are currently in their third generation, and some have successfully survived over more than six generations, and/or managed extensive growth whilst maintaining the status of a family business. This indicates that all seven firms have followed a recipe for success. Across all seven firms and 13 cases, a number of reoccurring generative mechanisms could be identified as influencing the way strategic decisions are formed, characterising the strategic decision-making process in family firms in general (see Figure 6.1). What could also be seen, however, is *how* these mechanisms impinge on the strategic decision-making process in relation to the size and age of the business, as well as the life stage of the family entrepreneur. That is, as underlying social structures elaborate – the family business grows and/or matures – across the family firms examined a shift of influential strength of these mechanisms could be noticed. The author argues that it is this shift in influential strength occurring underneath the surface that enabled these family firms to endure over multiple generations and/or grow extensively. On the surface, this is reflected in the family firms' ability to promote and willingness to accept change.

Whilst in smaller and younger family firms the family (family bond, family welfare) has been shown to provide a successful rational basis for successful decision-making, this may be detrimental to success as the business matures (ownership dispersion, family conflict, etc.) or grows (e.g. increasing number of stakeholders requiring a shift in priorities). In smaller, younger firms it is important to nurture the family bond and the family-business relationship, as this can provide an invaluable source of strength based on family values and related mechanisms, such as achievement motivation, trust, and respect, ultimately leading to a source of competitive advantage. However, as the business grows, strategic decision-making can no longer occur at the dinner table; instead, decision-making processes need to become increasingly structured, ideally including non-family members. The process of selecting family successors must become stricter and based on the individual's performance and ability to manage, rather than on the mere factor of family membership. At the same time, the role of family members within the business has to change from a focus on the operative business to a focus on the management of the company, resulting in increased delegation of responsibilities to non-family members, which in turn will be reflected in the way strategic decisions are made.

Similarly, as the business matures the selection process of potential family successors requires a more performance- and ability-related approach in order to avoid ownership dispersion and family conflict, and to minimise the risk of mismanagement. This will reflect on the decision-making process, requiring an increasingly strict separation between the family and the business, that is, the explicit exclusion of family members not directly involved in the firm's TMT from strategic decision-making. Thus, the family entrepreneur is faced with the difficult task of engaging the offspring in the business from an early age in order to secure succession, whilst excluding some of offspring at a later stage to avoid mismanagement and ownership dispersion. This calls for the establishment of a fairly standardised and predefined selection procedure in order to avoid family conflict whilst finding the most suitable successor. The introduction of family boards may also be useful in order to engage the family in the long-term strategy whilst avoiding direct family influence on the daily business of strategic decision-making. Furthermore, as the business matures, heritage becomes an increasingly important factor in strategic decision-making. Hence, in order to maintain the heritage, strategic decision-makers are required to adopt a long-term and cross-generational perspective on business strategy.

Thus, the ability and willingness to change will determine the long-term success and survival of the family business. The underlying reasons for change outlined in this study may help to raise awareness amongst practitioners to adopt changes as their business grows and matures, which may aid the survival of more family firms beyond the second or third generation.

7.6 Limitations of the research

This thesis set out to explore strategic decision-making in the family firm. Using a non-positivistic, largely grounded approach, a strategy-as-practice perspective, and a critical realist view of the world, the author approached the topic with a relatively open mind and without any predefined constructs or propositions, but with a specific focus on the possible influences that emerge from the intersection of family and business life – the distinguishing character of family businesses compared to non-family firms. The study sheds light on the "black box of familiness" (Pearson, 2008) by providing an empirical foundation for the mechanisms emerging from the intersection of family and business life, and fills a gap in the existing literature by offering explanations of *how* the family context indirectly influences family firm strategy. However, the study is not without limitations

concerning the epistemological choice, the geographical context, the business context, and the case selection. These limitations are discussed in the following section, resulting in the suggestion of directions for future research.

Limitations concerning the epistemological choice: The study followed a non-positivistic epistemology and a largely grounded approach, allowing for in-depth investigation of a specific social phenomenon. This choice served the study's purpose of exploring the family business construct and explaining how the family context influences strategic decisions in the family firm in order to develop and extend theory. For the aim of this study the epistemological choice can be regarded as a strength, allowing the author to gain in-depth insights into complex phenomena from a small number of cases. However, more research is needed before testable formal hypotheses can be formulated and tested in large-scale, survey-based research, and the generalisability of the findings reported here is limited to the 13 cases and seven firms in the sample (Yin, 2003).

Limitations concerning the method of data collection: The author decided to examine strategic decisions that occurred within the past five years in order to minimise post-hoc rationalisation. However, when looking at past decisions bias related to post-hoc rationalisation can never be fully overcome (see for example, Chia, 1994). The risk of bias can, however, be minimised by the use of more than one source of data. Thus, the author has chosen to interview a minimum of two family members actively involved in the TMT and, where possible, family members from multiple generations as well as family members not actively involved in the family firm (see Table 4.1). Also, additional sources of data have been used to further triangulate the data (see Table 3.7).

Limitations concerning the geographical context: The author has chosen to focus on a specific country, Germany. Germany has a strong sector of small- to medium-sized enterprises and family-owned businesses, generally referred to as the 'Mittelstand', employing around 70% of the country's workforce (Günterberg and Kayser, 2004). These enterprises are often privately owned and can be characterised by a cautious and long-term-oriented approach to business (Venohr, 2010), which can be regarded as a reflection of the German people's mind-set towards long-term stability and security. Within Germany, the study focuses on a very specific geographical region, Bavaria. This particular region has a comparatively high density of multigenerational family-owned and -managed businesses, which have often endured over decades or even centuries. The author recognises that the findings presented here need to be viewed in the light of this particular geographical context, where the family and accompanied values are deeply rooted within

the collectivist local culture, and whilst the findings may be applicable to family firms situated in similar cultural contexts, the strength of family influences may be different within the context of more individualistic cultures or regions. This provides a potential avenue for future research.

Limitations concerning the business context: The author further focussed on the selection of successful family firms offering a healthy family-business construct in which to explore family influences on the strategic decision-making process. This was partly predetermined by the working definition of the family firm, restricting the sample choice to firms that are in at least their second generation (the business model works), have significant family ownership (owners have not been forced to sell), are at least small-sized (employing a significant number of family externals), and have more than one family member actively involved in the TMT (tendency towards stable family relationships). Whilst the selection of firms served the purpose of the study, family members' attitudes towards the business and their long-term orientation may differ in non-successful family firms, possibly leading to different influences on the strategic decision-making process, limiting the generalisability of the findings to a wider context.

Limitations concerning the case context: In order to explore family influences on strategic decisions the study focussed on the examination of large-scale decisions, which would guarantee the involvement of all members of the TMT and possibly stimulate discussion of the decision within the family circle. The results of the study are relevant for major strategic decisions. However, individuals' behaviour (egocentric behaviour, altruistic behaviour) may differ for small-scale decisions that do not require the involvement of other family members, but which may stimulate future trends in the firm, or manipulate or predetermine other family members' strategic behaviour in future decisions.

A further limitation of the thesis is that it is based on the analysis of past decisions. The analysis of past events always carries the risk of post-hoc rationalisation or 'mistaken' memories among the respondents (Perks, 2003). Although the author aimed to limit this risk via the use of multiple sources of evidence and data triangulation, post-hoc rationalisation could be erased by directly examining strategic decisions as they unfold. However, given the time and resource constraints of a single researcher, the depth of the empirical data collection, the issue of gaining constant access to a number of different firms over a substantial duration of time, and the central purpose of the study to develop theory, the methodology adopted seemed appropriate.

7.7 Strengths of the research

Much of the research on family firms' strategy has been focussed on the outcomes of strategy rather than on how strategy emerges. This is due to a focus on prevalent theories, such as the RBV, agency theory, and stewardship theory, borrowed from more established fields and adapted to fit family business research. With the selected approach the author actually took a step backwards, by choosing a largely grounded approach to research the well-established construct of business strategy. In the author's view, this step was required to drive theoretical development forward, i.e. to refrain from using established views and to uncover the construct of family firm strategy from a 'virgin' perspective. The strength in this approach lies in the fact that the research was not restrained or restricted by established theory, but was able to approach the phenomenon with an open mind, allowing new relationships and powers to be discovered from the data.

A further strength of the research is the array of sectors, ages, and sizes of the family businesses in the sample, allowing for extensive cross-case analysis and the subsequent discovery of similarities across a variety of firms. This reflects the fragmented nature of family firms and the resulting complexity of the field of family firm strategy. The research makes the case that distinctions need to be made when defining the family firm, while revealing the similarities that govern family firm strategy.

Furthermore, a particular strength of the research is in the selection of respondents including both family members actively engaged in the business and family members not actively engaged in the firm. In explaining how the family context influences strategic decisions in the family firm, it is important to go beyond the layer of management and to reveal the strength of the family-business relationship from a holistic perspective, which includes the family behind the firm.

Finally, the author believes that the method and worldview chosen constitute strengths of the research, as they allow the author to uncover the underlying influences on business strategy and, more importantly, to reveal how these generative mechanisms interact. In management research in general, and in family business strategy research in particular, critical realist perspectives are largely underrepresented, hence the choice of method and the development of a framework for practical application offer a valuable contribution in themselves, aiding future research at the micro-level of social interaction.

7.8 Directions for future research

Future research should be extended into different regions and cultures to see to what extent family influence on the strategic decision-making process in the family firm is culture-specific, regarding organisational and country-specific cultures. This could provide evidence resulting in the refinement or further development of the theory presented here, and the development of testable hypotheses. In this regard, research could also profit from collaboration between researchers from different geographical regions, allowing for cross-cultural or cross-regional development of the theory. Further, research should extend into different types of firms, including firms with different ownership and/or management structures, in order to explore to what extent the family context remains influential in the formulation of business strategy. Additionally, the study of smaller strategic decisions is encouraged for future research, as well as the adoption of a strategy-as-practice perspective that studies the strategic decision in all its integrity as it unfolds. This, however, would require the researcher to be fully immersed in the family business and possibly the family, since the results indicate that particularly in small family firms, strategy is often not made within the business surroundings but at the dinner table.

Finally, the author aims to stimulate discussion with regard to a common definition of the family firm, which includes standardised categories (e.g. age, size, management, ownership) that reflect the fragmented nature of family firms. The results of this study show that business strategy as well as the general aims and strategic orientations of firms differ substantially depending on the specific nature of the family firm, disabling the comparability of research results. Thus, the introduction of standardised categories is believed to be vital for future family firm research. Hence, future research should be directed towards the identification of categories that are relevant to family firm strategy and orientation.

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Appendix I – Summary of Events (by case) in the Actual Domain

Case 1.1 – Investment in new machinery		
#	Event	Selection for analysis Y/N
E1	Industry Standards and Customer Demands	N
E2	Father points out possible investment in new machine	Y
E3	Offspring gets excited by prospect of purchase	Y
E4	Mother pushing for involvement	Y
E5	Family discussion including mother	Y
E5.1	Father suggesting to postpone purchase	Y
E5.2	Offspring putting pressure on father	Y
E5.3	Father giving in and agreeing to purchase	Y
E6	Distribution of responsibilities	N
E7	Field research	N
E8	Negotiations with banks and suppliers	N
E9	Family discussion including mother	Y
E9.1	Final vote and agreement of all family members	Y

Case 1.2 – Decline of take-over offer		
#	Event	Selection for analysis Y/N
E1	Father being approached by investor	N
E2	Family meeting including mother	Y
E2.1	Father intending to sell the firm	Y
E2.2	Mother remaining passive	Y
E2.3	Son remaining largely passive	N
E2.4	Strong resistance from daughter	Y
E3	Father inviting investors for due diligence	Y
E4	Extreme resistance from daughter	Y
E5	Family crisis	N
E6	Daughter getting brother on her side	Y

E7	Father driving sale forward	Y
E7.1	Mother supportive of father	Y
E8	Strong resistance from siblings	N
E9	Crisis meeting	Y
E9.1	Father giving in	Y
E9.2	Rejection of offer	N

Case 2.1 – Investment in new flagship store		
#	Event	Selection for analysis Y/N
E1	Existing shop small and not representing brand image	N
E2	Upcoming discussion of how to expand storage space	N
E3	Son accidently identifying possible location for new storage	N
E4	Son thinking of using space for completely new flagship store	N
E5	Consultation of father in private setting	Y
E5.1	Father convinced of the idea	Y
E6	Son drives research forward	Y
E7	Discussion of idea with other family members	Y
E7.1	Mother against investment	Y
E8	Son increases research and prepares thorough presentation for board meeting	Y
E9	Board meeting	Y
E9.1	Board members showing interest in idea	Y
E9.2	Board giving responsibility of project to son	Y
E10	Son putting in increased effort	N
E11	Son constantly feeding back to father	N
E12	Mother warming to idea	Y
E13	Son starting on the built	N
E14	Father hardly interfering	N
E15	Son frequently feeding back to father	Y
E16	Father encouraging son to take on own responsibility	Y
E17	Son surprised by responsibility given	N

Case 2.2 – Change of marketing strategy		
#	Event	Selection for analysis Y/N
E1	Development of marketing campaign	N
E2	Son takes on responsibility for campaign	N
E2.1	Son changes marketing strategy	Y
E2.2	No consultation of father	Y
E3	Presentation of final campaign	Y
E3.1	Father disapproves	Y
E4	Son points out responsibilities	Y
E5	Friction between father and son	Y
E6	Emotional discussion	Y
E6.1	Father opts for earlier involvement in future decisions	Y
E6.2	Son gives in	Y
E7	Adjustments to marketing campaign	Y

Case 3.1 – Change of management structure		
#	Event	Selection for analysis Y/N
E0	Father retiring and previous events	N
E1	Son (CEO) utters intention to grow	Y
E2	CEO conducts interviews and meetings with managers	Y
E3	Development of growth strategy	Y
E4	Implementation of growth strategy in various stages	N

Case 3.2 – Development and implementation of growth strategy		
#	Event	Selection for analysis Y/N
E0	Father's dominant management style and extensive growth	N
E1	Father approaching retirement	N
E2	Son's decision to change firm culture	Y
E3	Implementation of new management structure	Y
E4	Clear cut with father	Y
E5	Inclusion of family-external	Y

	manager in TMT	
E5	Steady introduction of new firm culture	N

Case 4.1 – Change of management structure		
#	Event	Selection for analysis Y/N
E0	Extensive growth over past years	N
E1	Looking for ways to adapt to growth	Y
E2	Leveraging existing connections with Academia	N
E3	Picking up idea of Syntegration	N
E4	Discussion within TMT	Y
E5	Discussion with Advisory Board	Y
E6	Discussion within Management Circle	Y
E7	Starting process of Syntegration	N

Case 4.2 – Take-over		
#	Event	Selection for analysis Y/N
E1	TMT being approached by individual managers from smaller competitor	N
E2	Discussion within TMT	Y
E3	Discussion with Advisory Board	Y
E4	Discussion within Management Circle	Y
E5	Decision to take-over	N

Case 5.1 – Investment in new butchery		
#	Event	Selection for analysis Y/N
E0	Extensive growth over past decades	N
E1	Processes in existing butchery inefficient and inflexible; aging building	N
E2	Decision to invest to improve processes	N
E3	Discussion within TMT and with advisory board	Y
E4	Consideration of three investment options	Y
E4.1	Further research and feasibility calculations	Y

E5	TMT opts for long-term option (most expensive)	Y
E6	Implementation	N

Case 6.1 – Change of management structure		
#	Event	Selection for analysis Y/N
E1	Existing firm type	N
E2	Senior manager aging	N
E3	Proposition to take on non-family member as partner	Y
E4	Active search for external partner	N
E5	Prospective candidate being approached	N
E6	TMT discussion and agreement to take on external partner	Y
E6.1	Trail period	Y
E6.2	'Marriage'	Y

Case 6.2 – Outsourcing IT		
#	Event	Selection for analysis Y/N
E1	Strong competition from public banks	N
E2	Aging IT structure	N
E3	Consideration of various options	Y
E4	Cost calculations	Y
E5	Requirement of unanimous decision of all partners	Y
E6	Agreement of all partners	N
E7	Implementation	N

Case 7.1 – Development/Acquisition of visitor centre		
#	Event	Selection for analysis Y/N
E1	Strong competition	N
E2	Junior CEO suggests to make brewery more approachable	Y
E3	Discussion amongst TMT members	Y
E4	Initial resistance from father	Y
E5	Family council meeting	Y
E6	TMT discussions	Y
E6.1	Father increasingly convinced	Y
E7	Decision to invest	Y

Case 7.2 – Take-over

#	Event	Selection for analysis Y/N
E1	Possibility of competitor's CEO retirement	N
E2	Testing of competitor's intensions	N
E3	Being approached by competitor	N
E4	TMT Discussion	Y
E5	Family council meeting	Y
E6	Involvement of management board	Y
E7	Costing, due diligence, etc.	N
E8	TMT Discussion	Y
E9	Decision to invest	N

Appendix II – Table: Events and Possible Explanations/Mechanisms (Sample Events)

Case 1.1: Event 5.1: Father's suggestion to postpone purchase (and previous events) triggers		
M (#)	Title	Explanation
1	Family structures	The father is regarded as the dominant figure in the family. He has always been the main bread earner in the family. Due to the nature of the family, there exists a pre-defined relationship structure with parents and children; this pre-defined structure generally diminishes when the siblings leave home, start their own jobs, and eventually become parents themselves.
2	Reflection of family structure in business context	In the family firm, pre-defined family structures are reflected; i.e. working and living together 24/7 makes it difficult for the siblings to extract themselves from these pre-defined family structures that generally diminish when siblings start their own life. In order to break this structure siblings have to distinguish themselves from their parents;
3	Natural process of growing up	Part of the siblings' separation from pre-defined family structures is reflected by the need to gain maturity, hence stepping up to their parents (father) and taking on their own roles and responsibilities
4	Need to succeed	In the family firm, taking on own responsibilities, identities, and roles is particularly important, since the siblings face the need to succeed in the business;
5	Desire to succeed	Due to their identity, upbringing, or other reasons, the siblings may face the desire to succeed in the business; to do so, they need to establish their own identity, which may explain the fact that they put pressure on the father to pursue with the decision
6	Perceived need to take own decisions	Linked to the siblings' desire to take over the business in the future is the perceived need to take own decisions in order to gain respect and acceptance from staff; hence the siblings' pressure to take the decision;
7	Learned behaviour of how to push father's altruistic triggers	Children learn from early childhood how to push their parents' altruistic triggers; putting pressure on the father might constitute a way to convince the father to act in the siblings' favour, i.e. to act altruistically against his own will or feeling;
8	Fear of not being able to prove themselves	Linked to the siblings' succession is a possible fear of not being able to prove themselves within the business in order to gain respect from both staff and parents; the purchase of the machine constitutes a decision that would enable the siblings to show off their talents and experience;
9	Desire/Need to life up to roles and responsibilities	In order to succeed in the business the siblings are required to gain respect from the workforce. To do so they need to be able to life up to the given roles and responsibilities as members of the TMT. Hence, the

		need to be able to take decisions that concern the functioning and future performance of the business;
10	Achievement motivation	Learned behaviour to achieve in order to receive reward (e.g. father's respect, love, etc.)
11	Need to stand up to father	Closely linked to succession is the need to stand up to the father in order to gain acceptance and respect from staff and to establish own role identity in the firm;
12	Family norms	Family norms of working hard and achieving high;
13	Achievement motivation	Learned behaviour that success is being rewarded;
14	Fear of not achieving well	Linked to achievement motivation is a possible fear of underachieving, which due to learned behaviour may result in perceived decrease in love and respect from parents (reward);
15	Lower natural risk aversion	Siblings are young; age can be linked to risk aversion; hence, the siblings desire to proceed with the decision;
16	Need to establish role identity	Linked to succession is the siblings' need to establish their own role identity within the business; the decision offers an opportunity to do so, hence the siblings' pressure on the father;
17	Need for love and recognition	Linked to achievement motivation is the desire for love and recognition resulting from the family values;
18	Desire to position themselves	Linked to future succession is the siblings' desire to position themselves within the business; this can be done by establishing a role identity, which clearly distinguishes them from the dominating father;
19	Desire for social status and recognition	The success and performance of the business is closely linked to the siblings' social status and recognition; the expected business growth resulting from the purchase of the new machine will potentially result in higher social status and recognition; thus, the desire for social status and recognition may have caused the siblings' to put pressure on the father to pursue with the decision;
20	Need to perform	Linked to achievement motivation and/or family norms and values the siblings may feel a need to perform well; the purchase of the new machine would elevate the business into a new league within the printing industry; hence fulfil their need or desire to perform;
21	Desire to invest	Since the siblings have entered the business they have constantly faced new major investments starting with a complete revamp of their machinery due to the industry change to offset printing, followed by major investments in the company building; resulting from that the siblings' may feel an urge or desire to constantly invest since this is exactly what has been done since they've entered the business;
22	Perceived need to grow	Linked to the constant investments throughout the past years, the siblings' may feel a perceived need to constantly grow; hence their pressure on the father for further investments;

23	Positive perception of economic climate	The siblings have entered the business in a period of constant growth and economic stability, where investments could easily be recuperated; hence, their willingness towards further investments;
24	Herd instinct	With competition growing, the siblings' may have felt the need to for further investments, too; this can be linked to herd instinct, i.e. follow others rather than pursuing an individual strategy;
25	Learned behaviour	Linked to family norms and values is the concept of learned behaviour; having had a strict entrepreneurial upbringing, the siblings are trimmed towards hard work and the natural desire for success; the purchase of the machine would elevate the business, hence the siblings' desire to proceed with the purchase and subsequently the siblings' pressure on the father to pursue;
26	Jealousy, Envy	Another explanation may result from the concept of sibling conflict and jealousy or envy as a pre-form of sibling conflict; that is, the siblings' may be jealous on each other's success, hence one wants to perform better than the other resulting in high competitiveness; thus, in order to achieve well individually, each of the siblings would like to convince their father to pursue with the decision;
27	Egoistic behaviour	Egoistic behaviour can be linked to jealousy and envy with each of the siblings out for their own good; i.e. the siblings want to position themselves within the business and the purchase of the machine offers a good opportunity to do so, hence their pressure on the father to pursue with the decision; also, it would be the siblings who'd profit from the decision rather than the father, since with the father's retirement in sight, he won't be able to recuperate the investment before retiring;
28	Self-interest	Self-interest can be linked to the explanation above, i.e. egoistic traits. The only one really profiting from the investment would be the siblings who'd purchase the machine with the father holding the majority stake in the business;
29	Thrill, rush	The perspective of investing 2.5 Million Euros may give a huge rush or thrill to an individual; hence, the siblings' desire to spend that amount of money for the first time;
30	Desire to compete	The siblings may also have a natural desire to compete resulting from their entrepreneurial upbringing and family values; purchasing the new machine would elevate the business into a new league within the printing industry, hence place the family business at the top of the local competition; hence, the siblings' pressure on the father to pursue with the purchase;
31	Future vision,	The siblings' pressure on the father may also be driven

	positive expectations	by positive future expectations; this can be linked to the siblings' succession and / or social status;
32	Need to gain respect	In order to succeed in the business siblings are bound to gain respect from both staff and parents
Mechanisms cause **Event 5.2: Offspring putting pressure on father**		

Case 1.1: Event 5.2: Offspring putting pressure on father (and previous events) triggers		
M (#)	Title	Explanation
1	Achievement Motivation	Father's achievement motivation based on strict entrepreneurial upbringing – making his parents (grandma) proud; grandma still visiting firm today and showing pride in what her son has achieved;
2	Responsibility towards staff	Father needs to act with responsibility towards his employees, thus, with a long-term strategic vision for the business, rather than short term-vision serving his retirement plans
3	Social status	Success and business strength are reflected in social status, hence, purchasing new machine and subsequently outperforming local competition may result in increased social status
4	Desire for staff's appraisal	Management success may also reflected in appraisal from staff contributing to the father's self-esteem
5	Self-Esteem	Expected staff appraisal
6	Risk perception	Risk perception may be lower due to resource availability including funding schemes, loans, etc. This may also be linked to a positive economic and industry climate at the time of the decision (months before the financial crisis);
7	Entrepreneurial spirit	Upbringing, personal entrepreneurial traits, leading to increased competitiveness
8	Parental altruism	Co-dependency; desire for siblings' love, and wish for business to remain in family hands; Samaritan's Dilemma;
9	Guidance	Sibling love and care; desire to provide guidance and provide the best possible start for siblings into business life; possibly resulting from own bad experiences; providing better life for siblings;
10	Desire for consensus	Father's desire to avoid family conflict; partly resulting from family values and love and care towards family members, but also resulting from the need to portray closeness of family towards staff and customers
11	Love and care	Providing better life for siblings;
12	Legacy	Desire to leave legacy;
13	Identity	Strong identification with business and it's success
14	Thrill of investment	Sexual empowerment, maintaining dominant position in both business and family
15	Fear of change	Retirement in sight; Investment as option to shift

		retirement; resulting from love of work and personal relationship with business
16	Love towards work and business	Strong relationship with work and business; centre of life; definition of personal role and purpose;
17	Fear of aging	Related to fear of change; father afraid of getting older; midlife crisis
18	Fear of social declassification	Father afraid of being 'written off' by siblings and social network; related to fear of aging;
19	Cognitive trust in siblings' ability	Due to close work-relationship between father and siblings there exists a cognitive trust relationship between father and siblings with the father valuing the siblings' ability (son already responsible for introducing new technologies), hence allowing him to be influenced by his siblings;
20	Emotional trust in siblings' intentions	Due to the close family relationship there also exists an emotional trust relationship with the father trusting in the siblings' intentions to carry on the business in the family's/father's interest;
Mechanisms cause **Event 5.3: Father giving in**		

Case 1.1: Event 9: Family discussion (and previous events) triggers		
M (#)	Title	Explanation
1	Interpersonal Trust	The mother has a strong interpersonal trust relationship with the father, knowing that his decisions are generally in the best interest of the family.
2	Cognitive trust	The mother has a strong relationship of cognitive trust with the father, knowing that his previous decisions have led the firm to success, leaving her convinced that the same may account for future decisions.
3	Altruistic behaviour (family oriented altruism)	Co-dependency; mother fears exclusion, hence, in return for love and future inclusion she decides to side with her husband and siblings.
4	Familial coercion	In relation to peer pressure, familial coercion may offer a possible explanation of the mother's agreement. Specifically, as mother would like to remain 'part' of the Familienbande and since her 'decision-making-status' (or inclusion) depends on the family members' goodwill she's coerced towards an agreement.
5	Marital coercion	Similar to the familial coercion, however exerted from the marital context
6	Fear of exclusion	The knows that her inclusion in the decision-making process depends on the goodwill of her family; in order to maintain this access she decides to reluctantly agree to the decisions taken by the other family members.
7	Roles and responsibilities	The mother is officially not a member of the TMT anymore; however, she's the mediating and soothing point in the family; she accepts this role and

		responsibility; she is also aware that she can make suggestions, yet understands that her vote won't stand against the votes of the other TMT members.
8	Consensus	Family and business are closely related and due to this close relationship business conflict may affect the harmony within the family. Instead of provoking open conflict the mother chooses to accept the other family members' decision.
9	Family welfare	The mother understands that previous decisions worked out well despite her initial apprehensions; thus, she sacrifices time with her husband for the possible long-term benefit of the business and subsequently the long-term family welfare.
10	Love and care	Understanding that her siblings are keen on the investment she puts her own feelings aside and agrees to the decision; this is closely related to family oriented altruism
Mechanisms cause **Event 9.1: Mother's agreement**		

Appendix III – Strength of Evidence (Sample Event)

Case 1.1: Event 5.1: Father's suggestion to postpone purchase (and previous events) triggers				
Possible Mechanisms	Entity F/B/FBR	Relationship Necessary/Contingent	Evidence W/M/S	Accept/ Reject
Family structures	F	Necessary	M	R
Reflection of family structure in business context	F/FBR	Necessary	M	R
Natural process of growing up	F	Contingent	W	R
Need to succeed	FBR/B	Necessary	M	R
Desire to succeed	FBR	Necessary	M	R
Perceived need to take own decisions	B	Necessary	M	R
Learned behaviour of how to push father's altruistic triggers	F	Contingent	S	A
Fear of not being able to prove themselves	F/FBR	Necessary	M	R
Desire to life up to roles and responsibilities	B	Necessary	S	A
Achievement motivation	F	Necessary	S	A
Need to stand up to father		Necessary		R
Family norms and values	F	Necessary	S	A
Achievement motivation	F	Necessary	S	A
Fear of not achieving	F/B	Necessary	M	R
Lower natural risk aversion	B	Necessary	M	R
Need to establish role identity	B	Necessary	S	A
Desire for love and recognition	F	Necessary	S	A
Desire to position themselves	B	Necessary	M	R
Desire for social status and recognition	FBR	Necessary	S	R
Need to perform	B	Necessary	M	R
Desire to invest	B	Necessary	M	R
Perceived need to grow	B	Necessary	M	R
Positive perception of economic climate	B	Contingent	W	R
Herd instinct		Contingent	W	R
Learned behaviour	F	Necessary	M	R
Jealousy, Envy	F	Contingent	W	R
Egoistic behaviour	F	Necessary	S	A
Self-interest	F/FBR	Necessary	S	A
Thrill, rush		Contingent	M	R

Desire to compete	B	Contingent	M	R
Future vision, positive expectations	B	Necessary	M	R
Need to gain respect	B	Necessary	M	R
Mechanisms cause **Event 5.2: Siblings putting pressure on father**				

Case 1.1: Event 5.2: Siblings putting pressure on father (and previous events) triggers				
Possible Mechanisms	Entity F/B/FBR	Relationship Necessary/Contingent	Evidence W/M/S	Accept/ Reject
Achievement Motivation	F	Necessary	M	R
Responsibility towards staff	B	Necessary	W	R
Social status	FBR	Contingent	W	R
Desire for staff's appraisal	B	Necessary	W	R
Self-Esteem	FBR	Necessary	S	A
Co-dependency	F	Necessary	S	A
Risk perception	B	Contingent	M	R
Entrepreneurial spirit	B	Contingent	W	R
Family oriented altruism	F	Necessary	S	A
Need to provide opportunities for siblings	B	Necessary	S	A
Guidance	F/B	Necessary	M	R
Love and care	F	Necessary	S	A
Legacy	FBR	Necessary	M	R
Identity	FBR	Necessary	M	R
Desire for consensus	F/FBR	Necessary	S	A
Thrill of investment	B	Necessary	W	R
Fear of change	F/B	Necessary	W	R
Roles and responsibilities	B	Necessary	S	A
Love towards work and business	B/FBR	Necessary	M	R
Desire for firm performance	B	Necessary	S	A
Fear of aging		Contingent	W	R
Fear of social declassification	FBR	Contingent	W	R
Cognitive trust in siblings' ability	B	Necessary	M	R
Emotional trust in siblings' intentions	F	Necessary	M	R
Mechanisms cause **Event 5.3: Father giving in**				

Case 1.1: Event 9: Family discussion (and previous events) triggers				
Possible Mechanisms	Entity F/B/FBR	Relationship Necessary/Contingent	Evidence W/M/S	Accept/ Reject
Interpersonal Trust	F	Necessary	M	R
Cognitive trust	B	Contingent	M	R
Altruistic behaviour (family oriented altruism)	F	Contingent	S	A
Familial coercion	F	Contingent	M	R
Marital coercion	F	Necessary	M	R
Fear of exclusion/Desire to belong	FBR	Contingent	S	A
Roles and responsibilities	F/B	Contingent	W	R
Desire for Consensus	F	Necessary	S	A
Family welfare	F	Necessary	M	R
Love and care	F	Necessary	S	A
Mechanisms cause **Event 9.1: Mother's agreement**				

Appendix IV – Mechanisms based on Necessary Relationships for Cases 1.1 & 1.2

Case 1.1:	
Generative Mechanism (Father = F, Offspring = O)	Entity F/B/FBR
Self-Esteem (O)	FBR
Co-dependency (F + O)	**F**
Family oriented altruism (F)	**F**
Need to provide opportunities for offspring (F)	B
Love and care (F)	**F**
Desire for consensus (F)	F/B
Roles and responsibilities (F + O)	B
Desire for firm performance (F + O)	B
Desire to life up to roles and responsibilities (O)	**F/FBR**
Achievement motivation (O)	**F**
Family norms and values (F + O)	**F**
Need to establish role identity (O)	B
Desire for love and recognition (O)	**F**
Egoistic behaviour (O)	**F**
Self-interest (O)	**F**
Desire for Familienbande (Family bond) (F + O)	**FBR**
Identification with the business (F+ O)	FBR
Desire for Succession (O)	**B/FBR**
Desire to maintain heritage (F + O)	FBR
Desire for social status/perception (O)	FBR

Case 1.2:	
Generative Mechanism (Father = F, Offspring = O)	Entity F/B/FBR
Co-dependency (F+O)	F
Family oriented altruism (O)	**F**
Need to provide opportunities for oiblings (F)	B
Familienbande (Family bond) (O)	**FBR**
Identification with the business (F+O)	**FBR**
Desire for consensus (F)	**F/B**
Roles and responsibilities (F+O)	B
Love and care (F+O)	**F**
Desire to life up to roles and responsibilities (O)	F/FBR
Achievement motivation (O)	F
Family norms and values (F+O)	F
Desire for love and recognition (O)	F
Egoistic traits (O)	**F**
Self-interest (O)	F
Succession (O)	**B/FBR**
Heritage (F+O)	FBR

Appendix V – List of all Cases and Mechanisms emerging from Necessary Relationships

Case 2.1:	
Generative Mechanism (Father = F, Offspring = O)	Entity F/B/FBR
Desire for family welfare (F)	**F**
Desire for love, care, respect (F+O)	**F**
Family values (F+O)	F
Family oriented altruism (F)	**F**
Desire for sibling welfare (F)	**F**
Achievement motivation (O)	
Desire for success (O)	**F**
Roles and responsibilities (F+O)	B
Desire for firm survival and performance (F+O)	B
Need to provide opportunities (F)	**B**
Need to life up to responsibilities (O)	**B**
Desire for sibling welfare (F)	F/B
Need to fulfil roles and responsibilities (F+O)	B
Need to gain respect (O)	**B**
Identity / Identification with the business (F+O)	FBR
Family bond (F+O)	**FBR**
Heritage (F+O)	FBR
Memories (O)	FBR
Social status / perception (F+O)	FBR
Self-esteem (F+O)	**FBR**

Case 2.2:	
Generative Mechanism Father = F, Son = S	Entity F/B/FBR
Desire for love, care, respect (F+S)	**F**
Family values (F+S)	F
Family oriented altruism (F)	**F**
Achievement motivation (S)	**F**
Desire for sibling welfare (F)	F
Egoistic drivers (F+S)	F
Desire for success (S)	F
Roles and responsibilities (F+S)	**B**
Desire for firm survival and performance (F+S)	B
Need to provide opportunities (F)	**B**
Need to life up to responsibilities (S)	**B**
Need to fulfil roles and responsibilities (F+S)	**B**
Need to gain respect (S)	**B**
Identity / Identification with the business (F+S)	FBR
Family bond (F+S)	FBR
Social status / perception (F+S)	**FBR**

Case 3.1:	
Generative Mechanism Son = S	Entity F/B/FBR
Achievement motivation (S)	**F**
Desire for love and respect (S)	**F**
Psychological pressure (S)	**F**
Egoistic traits (S)	F
Self-Esteem (S)	**FBR**
Identification with the business (S)	**FBR**
Social status / perception (S)	**FBR**
Heritage (S)	FBR
Regulations (S)	B
Roles and Responsibilities (S)	B
Need to gain respect (S)	**B**
Desire for firm performance (S)	B
Need to fulfil Roles and Responsibilities (S)	**B**
Firm survival (S)	**B**

Case 3.2:	
Generative Mechanism	Entity F/B/FBR
Achievement motivation (S)	**F**
Desire for love and respect (S)	**F**
Psychological pressure (S)	**F**
Egoistic traits (S)	F
Self-Esteem (S)	**FBR**
Identification with the business (S)	**FBR**
Social status / perception (S)	**FBR**
Heritage (S)	FBR
Regulations (S)	B
Roles and Responsibilities (S)	B
Need to gain respect (S)	**B**
Desire for firm performance (S)	B
Need to fulfil Roles and Responsibilities (S)	**B**
Firm survival (S)	**B**
Desire to share responsibilities (S)	B

Case 4.1:	
Generative Mechanism	Entity F/B/FBR
Family values	**F**
Desire to give/receive love, care, respect	**F**
Desire for family welfare	**F**
Achievement motivation	**F**
Egoistic traits	F
Desire for long-term success	**B/FBR**
Identification with firm (S + Family)	**FBR**
Heritage	**FBR**
Social status	FBR
Family Bond	F/FBR

Desire to leave legacy	**FBR**
Desire / Need for succession	FBR
Self-Esteem	FBR
Desire for long-term firm survival	**B**
Roles and responsibilities	**B/F**
Need to adapt to changes	**B**

Case 4.2:	
Generative Mechanism	Entity F/B/FBR
Family values	F
Desire to give/receive love, care, respect	F
Desire for family welfare	**F**
Achievement motivation	**F**
Egoistic traits	F
Desire for long-term success	**B/FBR**
Identification with firm	**FBR**
Heritage	FBR
Social status	**FBR**
Self-Esteem	**FBR**
Desire for long-term firm survival	**B**
Roles and responsibilities	**B**
Defined processes and procedures	**B**

Case 5.1:	
Generative Mechanism	Entity F/B/FBR
Family values	F
Desire to give/receive love, care, respect	F
Desire for family welfare	**F**
Achievement motivation	**F**
Future co-dependency	**F**
Egoistic traits	**F**
Desire for long-term success	**B/FBR**
Identification with firm	**FBR**
Heritage	FBR
Social status	**FBR**
Family Bond	F/FBR
Desire / Need for succession	**FBR**
Self-Esteem	**FBR**
Desire for long-term firm survival	**FBR**
Succession	**B/FBR**
Roles and responsibilities	**B**
Defined processes and procedures	**B**

Case 6.1:	
Generative Mechanism	Entity F/B/FBR
Desire for family welfare (P+O)	F
Desire for long-term success (P+O)	**B/FBR**
Identification with firm (P+O)	**FBR**
Heritage (P+O)	**FBR**
Social status / social perception (P+O)	**FBR**
Desire / Need for succession (P+O)	**FBR**
Psychological pressure (P+O)	**FBR**
Self-Esteem (P+O)	FBR
Desire for long-term firm survival (P+O)	**FBR**
Roles and responsibilities (P+O)	B

Case 6.2:	
Generative Mechanism	Entity F/B/FBR
Desire for family welfare (P+O)	F
Achievement motivation (O)	**F**
Desire for long-term success (P+O)	**B/FBR**
Identification with firm (P+O)	**FBR**
Heritage (P+O)	**FBR**
Social status / social perception (P+O)	**FBR**
Desire / Need for succession (P+O)	**FBR**
Psychological pressure (P+O)	**FBR**
Self-Esteem (P+O)	FBR
Desire for long-term firm survival (P+O)	**FBR**
Roles and responsibilities (P+O)	**B**
Defined and well established processes and procedures (P+O)	**B**

Case 7.1:	
Generative Mechanism	Entity F/B/FBR
Family values	**F**
Desire to give/receive love, care, respect	F
Desire for family welfare (P+O)	F
Achievement motivation (O)	**F**
Co-dependency (P+O)	**F**
Altruistic traits (P)	F
Egoistic traits (O)	F
Desire for sibling welfare (P)	F
Desire for long-term success (P+O)	**B/FBR**
Identification with firm (P+O)	**FBR**
Heritage (P+O)	**FBR**
Social status / social perception (P+O)	**FBR**
Family Bond (P+O)	F/FBR
Desire / Need for succession (P+O)	**FBR**
Psychological pressure (P+O)	**FBR**
Self-Esteem (P+O)	FBR

Desire for long-term firm survival (P+O)	**FBR**
Roles and responsibilities (P+O)	B
Defined and well established processes and procedures (P+O)	**B**

Case 7.2:	
Generative Mechanism	Entity F/B/FBR
Family values (P)	F
Desire to give/receive love, care, respect (P)	F
Desire for family welfare (P)	F
Achievement motivation (P)	F
Egoistic traits (P)	F
Desire for sibling welfare (P)	F
Desire for long-term success (P)	**B/FBR**
Identification with firm (P)	**FBR**
Heritage (P)	**FBR**
Social status / social perception (P)	**FBR**
Psychological pressure to perform (P)	**FBR**
Self-Esteem (P)	FBR
Desire for long-term firm survival (P)	**FBR**
Roles and responsibilities (P)	**B**
Defined and well established processes and procedures (P)	**B**

Appendix VI – Mechanisms based on Necessary Relationships (Summaries)

Small Young Firms: Cases 1.1, 1.2, 2.1, 2.2	
Generative Mechanism Parents (P), Offspring (O)	Entity F/B/FBR
Co-dependency (P+O)	**F**
Family oriented altruism (P)	**F**
Love and care (P+O)	**F**
Desire for consensus (P+O)	**F/B**
Achievement motivation (O)	**F**
Family norms and values (P+O)	**F**
Desire for love and recognition (P+O)	**F**
Egoistic behaviour (O)	**F**
Self-interest (O)	**F**
Roles and responsibilities (P+O)	B
Desire for firm performance (P+O)	B
Need to establish role identity (O)	**B**
Need to provide opportunities for siblings (P)	B
Desire to life up to roles and responsibilities (O)	B/F
Familienbande (Family bond) (P+O)	**FBR**
Identification with the business (P+O)	**FBR**
Self-Esteem (P+O)	FBR
Succession (P+O)	**FBR/B**
Heritage (P+O)	**FBR**
Desire for social status/perception (P+O)	FBR

Large Firms: Cases 3.1, 3.2, 4.1, 4.2, 5.1	
Generative Mechanism	Entity F/B/FBR
Family values	F
Desire to give/receive love, care, respect	F
Desire for family welfare	F
Achievement motivation	**F**
Future co-dependency	F
Egoistic traits	**F**
Altruistic traits	F
Desire for long-term success	**B/FBR**
Identification with firm	**FBR**
Heritage	FBR
Social status	FBR
Family Bond	F/FBR
Desire / Need for succession	FBR
Self-Esteem	**FBR**
Desire for long-term firm survival	**FBR**
Succession	**B/FBR**
Roles and responsibilities	**B**
Need to adapt to changes	**B**
Need to regulate processes	**B**
Need to provide opportunities	**B**

Defined processes and procedures	**B**

Mature Firms: Cases 6.1, 6.2, 7.1, 7.2	
Generative Mechanism	Entity F/B/FBR
Family values	**F**
Desire to give/receive love, care, respect	F
Desire for family welfare (P+O)	F
Achievement motivation (O)	**F**
Co-dependency (P+O)	**F**
Altruistic traits (P)	F
Egoistic traits (O)	F
Desire for sibling welfare (P)	F
Desire for long-term success (P+O)	**B/FBR**
Identification with firm (P+O)	**FBR**
Heritage (P+O)	**FBR**
Social status / social perception (P+O)	**FBR**
Family Bond (P+O)	F/FBR
Desire / Need for succession (P+O)	**FBR**
Psychological pressure (P+O)	**FBR**
Self-Esteem (P+O)	FBR
Desire for long-term firm survival (P+O)	**FBR**
Roles and responsibilities (P+O)	B
Defined and well established processes and procedures (P+O)	**B**
Need to provide opportunities (P)	B

All Firms: Cases 1.1, 1.2, 2.1, 2.2, 3.1, 3.2, 4.1, 4.2, 5.1, 6.1, 6.2, 7.1, 7.2	
Generative Mechanism	Entity F/B/FBR
Family values (P+O)	F
Desire to give/receive love, care, respect (P+O)	F
Desire for family welfare (P+O)	F
Achievement motivation (O)	F
Co-dependency (P+O)	F
Altruistic traits (P)	F
Egoistic traits (O)	F
Desire for sibling welfare (P)	F
Desire for short term success (O)	F/B
Desire for long-term success (P+O)	F/B/FBR
Identification with firm (P+O)	FBR
Heritage (P+O)	FBR
Social status / social perception (P+O)	FBR
Family Bond / Familienbande (P+O)	F/FBR
Desire / Need for succession (P+O)	FBR
Psychological pressure (P+O)	FBR
Self-Esteem (P+O)	FBR
Desire for long-term firm survival (P+O)	FBR
Roles and responsibilities (P+O)	B
Defined processes and procedures (P+O)	B

Need to provide opportunities (P)	B
Need to leverage opportunities/fulfil roles and responsibilities (O)	B

Appendix VII – Entrepreneurial life stage model

Family influences on the siblings (when older generation also actively involved in management) = young adulthood stage	
Generative Mechanism	Entity F/B/FBR
Family values (O)	F
Desire to give/receive love, care, respect (O)	F
Achievement motivation (O)	F
Co-dependency (O)	F
Egoistic traits (O)	F
Desire for short term success (O)	F/B

Family influences on the young family entrepreneur(s) (when no other generation actively involved in management) = family life stage	
Generative Mechanism	Entity F/B/FBR
Family values (P)	F
Desire to give/receive love, care, respect (P)	F
Desire for family welfare (P)	F
Achievement motivation (P)	F
Future Co-dependency (P)	F
Altruistic traits (P)	F
Egoistic traits (P)	F
Desire for long-term success (P)	F/B/FBR

Family influences on the parent(s) (when younger generation also actively involved in management) = pre-retirement stage	
Generative Mechanism	Entity F/B/FBR
Family values (P)	F
Desire to give/receive love, care, respect (P)	F
Desire for family welfare (P)	F
Co-dependency (P)	F
Altruistic traits (P)	F
Desire for sibling welfare (P)	F
Desire for long-term success (P)	F/B/FBR

Family influences on the offspring (before offspring enters the business) = childhood/education stage	
Generative Mechanism	Entity F/B/FBR
Family values (O)	F
Desire to give/receive love, care, respect (O)	F
Achievement motivation (O)	F
Egoistic traits (O)	F
Psychological pressure to succeed (O)	F

Appendix VIII - Interview Questions

1. Can you tell me about your company?
Prompts:
What are the main areas of business?
How has the business developed over years and generations?
How many members of staff do you employ?
How many people are on the TMT?
How many family members are on the TMT?
Which family members are involved in the business? How are they involved?
When did the individual family members enter the business?
What are their roles and responsibilities? How are they involved?

2. Can you tell me about the milestones of your company?
Explain to the respondent what 'milestones'/important strategic decisions are – important strategic decisions that altered/influenced the strategic direction of the company. Evaluate whether the respondents understanding of strategic decisions has been obtained – give examples.
Prompts:
What were the most important strategic decisions over the past years?
How did those decisions influence the strategic direction of your business?

3. How are important decisions generally taken?
Prompts:
What does the decision-making process look like?
Who is involved in the decision-making process?
Where and when do you usually discuss strategic decisions?

4. You mentioned that two recent milestones were X and Y. Can we talk about decision x and decision y in more depth? Just to confirm …
Did decision x involve all members of the TMT?
Resource involvement?
When was the decision taken?

5. Can you tell me all about that decision x/y? How did it all start?
Prompts:
Why was it important?
Why was it taken?
How does it fit within the company's mission/vision?
Who came up with the decision/who was the driving force?
How did it all evolve?
Who was involved and what were the individual roles?
Were there any problems/resistance?
Were eventual issues/concerns communicated and how were those resolved?
What was the role of the family?
Were family members consulted or offspring not in the business, yet, consulted?
Did you seek advice from any other people inside or outside the business

6. Thinking about the company, what is it that really drives you?
Prompts:
How important is the future of the family?
How important is future of the family business?
How important is the founder's/family's legacy?
What are your personal drivers? What motivates you personally?
How important is it for you that the business remains a family business?
How far off is the offspring? Is the offspring willing to enter the business?
Are there any efforts to involve the offspring